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EDITORIAL

It is heartening to note that at the government of India level a conscious attempt is being made to evolve an integrated framework of urban development which could eventually lead to the formulation of a sound national urban policy. Previously, urban development was being considered piecemeal primarily in terms of project plans on water supply, sewerage, housing slum clearance and improvement, urban community development, transportation and so on. Since the projects usually emanated from the departments, the emphasis has always been on functional stimulation without bothering about the inter-functional linkages and integration. At the area level, local community problems live in vacuum and urban planning starts within a framework of integrated area development, the accounts on individual functions would have a natural tendency to encourage this lopsided development. In consequence balanced areal development is bound to suffer. He may have more of water supply, sewerage, an abundance of houses without roads and other infra-structure. The framing of the fifth five year plan offers an opportunity to think afresh in terms of integrated and balanced areal development. The administrative implications of such an approach to development and also to be carefully considered. Most of our bigger urban complexes are cluttered with a number of public and semi-public authorities catering to various civic needs. What is needed is to evolve an integrated administrative organisation that will leave little room for different allied urban functions to work at cross purposes. An integrated urban development plan will depend for its success on an integrated urban administrative machinery.

—Editor

OBITUARY

We were shocked and grieved to learn about the sudden demise of Shri N. Damodara Kurup, Commissioner, Kottayam Municipal Council, Kerala. He had spent a fortnight with us while attending the training course on "Laws in Municipal Administration" in February this year. As the course participants would recall, Shri Kurup was very amiable in nature and friendly with everybody. One could immediately discover in him a conscientious worker devoting all his energy to the welfare of municipal administration. In his death, we have lost a valued comrade and a fine administrator. We convey our heart-felt condolences to the bereaved family.

UNIFORMITY IN THE VALUATION OF PROPERTIES

In this paper an attempt is made to examine a specific aspect of municipal property tax, *viz.*, uniformity in the valuation of properties. The information and data were collected through case studies of six municipalities in Andhra Pradesh and the corporation of Hyderabad. Of the six municipalities studied, four are from Andhra and the other two are from Telangana, the two major segments of the state drawn from the now defunct Madras and Hyderabad States respectively. The Hyderabad Corporation was governed mostly on the lines of municipal councils in Telangana. The administration of property tax differed in the two regions; hence a distinction is maintained in the study of the councils in the two regions. The study is confined to the period 1952-62; for the year 1952 was the basic year for the State of Andhra Pradesh, and after 1962 valuation of properties was not undertaken in the councils in the state owing to the ushering in of the 1965 Act, which aims to integrate the laws in both the regions.

The study is divided into four parts. In Part I, the method of assessment of properties prior to 1965 is discussed. In Part II the working of the method until 1965 is presented. In Part III the changes introduced in the 1965 Act are discussed. Part IV forms the concluding section.

1

BASIS OF ASSESSMENT

Following the British practice, municipal councils and the corporation in this state, like those in other states adopted except in case of vacant lands, annual value as the basis of assessment as is shown in Table 1.

In case of buildings, whose annual value in the opinion of the assessing authority, cannot ordinarily be assessed, assessments may however, be made on their capital value. Of the capital value assessed, 6 per cent in Andhra and 5 per cent in Telangana was to be taken as the

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TABLE 1
Basis of Assessment

<i>Nature of property</i>	<i>Municipal Councils</i>		<i>Corporations</i>	
	<i>Andhra</i>	<i>Telangana</i>	<i>Andhra</i>	<i>Telangana</i>
1. Buildings	Annual or rental value	Annual letting value	No corporation	Rateable value
2. Vacant lands	Capital value or extent	Annual	„	„
3. Agricultural lands	Annual value or extent	No tax	„	„

annual value for determining the tax. This method was generally followed in assessing the values of the properties of the Central and the State governments, hostels, factories, mills, educational institutions, etc.

Where buildings were assessed on their annual value, the assessing authority was bound to determine the rental value or the rateable value of the land and the building thereon separately. In determining the annual value or rateable value, no hard and fast rules were laid down. However, while the valuing authority was at liberty to determine the annual value of the building either on the basis of expected rent or fair rent or reasonable rent, he was under no obligation to accept rent actually paid as reasonable rent. In determining reasonable rent, the assessing authority was of course, expected to take into account facts like rent, if any, actually paid for the building under valuation and for similar buildings in the vicinity, the plinth area of the house, nature of walls, roofing and flooring number of rooms in the house, hygienic

condition of the locality, location of the building, and fittings and facilities provided in the building. In practice, often rent actually paid used to be taken as the basis of annual value: since assessing the reasonable or fair rent requires much effort on the part of the assessing authority. If capital value basis is adopted, the assessing authority has to ascertain separately the market value of land and cost of construction of the building etc.

Assessing and Revising Authority

In the Andhra region, the executive authority namely, the municipal commissioners, were the assessing authority. Owing to the heavy responsibilities placed on them, they were not in a position to bestow proper attention to general revision of properties due once in every five years. The State Government used to depute officials, mostly drawn from the revenue and a few other departments, for a specific period, to conduct general revisions and handover the assessment lists to the commissioners concerned for implementation. These officers, called as revision officers, however, had no special

training whatsoever in the revision work and in general it was said that the assessment of properties by these officers was defective.

To remedy these evils, following the recommendations of the Local Finance Enquiry Committee, the Government of Andhra created a Valuation Department in 1956 under the Control of the Director of Municipal Administration which was manned by valuation officers drawn from grade II and grade III municipal commissioners. The then Director of Municipal Administration claimed the following advantages in favour of this arrangement.

First, the valuation officers and their chief were recruited from experienced municipal commissioners and they, unlike the commissioners and the revision officers, were given short but intensive training in valuation work under the supervision of the Director of Municipal Administration. Secondly, the valuation officers have the opportunity to specialise in their work, for, they were continuously engaged in this work in different municipalities in the state. This was not the case with the commissioners and the revision officers, as the former were busy with their day to day administration and the latter had no stakes in municipal administration as such. Thirdly, the complaint, often voiced, that the Commissioners were not in a position to do justice to the tax payers because they were unduly influenced by the councillors and local officers might not be made against the valuation officers.

In the Telangana region, right from the beginning the assessment of properties was vested in the municipal councils themselves and they used to delegate their power of assessment either to the president of the council or to a sub-committee constituted by them. After the creation of the Department, on the advice of the Director of Municipal Administration many of the councils opted to utilise the services of the valuation officers.

Appellate Authority

Against the decisions of the assessing authority, the rate payers enjoyed the right of appeal. In both the regions, the first appellate authority was the assessing authority itself. In Andhra, while the decision of the council was final, in Telangana further appeals were allowed to higher authorities and courts of law also. However, the State Government in Andhra had the power not only to reverse some or all the decisions of the appellate authority, but also to revoke the appellate authority of the council itself and invest this power in a special officer appointed for this purpose. In Telangana this practice was not observed.

II

WORKING OF THE METHODS UNTIL 1965

In this section an attempt has been made to assess the actual working of the method on the lines discussed above.

Vijayawada

During the selected period, 1952-62, in Vijayawada, the first general revision was held in 1952. Against the assessments made in this revision, as many as 6,000 revision petitions were preferred to the taxation and appeal Committee of the Council. The Committee, on a majority of appeals preferred to it, ordered reductions ranging from about 25 per cent to 98.5 per cent of the amounts appealed against. In some cases, the reductions ordered were more than what was asked for. A few typical examples of reductions granted by the committee are mentioned in Table 2.

Consequent of such reductions ordered by the Committee, the council sustained around Rs. 0.50 lakhs per year.

The next general revision was held in 1957. This time the revision was conducted by the newly created valuation department. In this revision, out of 20,951 properties assessed, annual values were enhanced on 11,571. Against them 8,880

TABLE 2
Half Yearly Assessment (in Rs.)

Sl. No.	Assessment No.	Nature of occupation	Fixed by the			% of reduction on appeal order by the	
			Revision officer	Commissioner	Appeal committee	Commissioner	Appeal committee
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1.	15,951	Let out	394	359	240	5.7	39.0
2.	2,750	"	145	131	88	7.0	33.0
3.	8,760	"	2,275	2,159	1,787	4.3	17.2
4.	9,178	Fuel Depot	212	212	170	—	19.7
5.	15,968	Let out	370	335	239	6.5	28.6
6.	11,013	"	343	171	24	50.0	87.5
7.	N.A.	Vacant land	48,040	33,800	13,310	30.0	72.5
8.	10,030	"	19,730	19,730	300	-	98.5

revision petitions were preferred to the committee. Of the revision petitions preferred, the committee disposed of 5,000 petitions and granted reduction on them ranging up to 70 per cent of the amounts appealed against. The overall reductions so granted amounted to Rs. 1.50 lakhs per year. Still 3,880 petitions were pending disposal. In the meanwhile the council was dissolved and further reductions were stopped.

Kurnool

In the period 1952-62, two general revisions were conducted in the Kurnool Municipality, the first in 1954 and the second in 1959. Against the 1954 revision 1,829 revision petitions were preferred to the committee. Of them, reductions were ordered on 1,456 petitions. A few of the typical reductions are shown in Table 3.

TABLE 3
Annual Value (in Rs.)

House No.	Revision Officer	Fixed by the		% of reduction ordered by the appeal committee
		Appeal Committee		
(1)	(2)	(3)		(4)
9/320	1,344	1,008		25.0
11/224	180	120		33.3
13/43-B	1,120	560		50.1
11/208	360	120		66.7
13/13	96	24		75.2

The range of reductions ordered against the 1959 revision was still higher. Here are a few typical examples.

Typical examples of tax reductions granted by the Srikakulam Municipal

House No.	Tax fixed (in Rs.)		Reduction ordered (in Rs.) by the		Percentage of	
	Before Revision	After Revision	Revision Officer	Appeal Committee	Col. 4 to Col. 3	Col. 5 to Col. 3
(1)	(2)	(3)	(4)	(5)	(6)	(7)
17 120	--	29.57	27.85	15.41	5.9	27
8/127	19.28	29.60	29.60	18.49	-	30
17/30 & 39	17.67	172.50	172.50	80.49	—	50
1/4 F	22.17	63.81	62.81	24.13	1.5	63
1/144 A.F.	—	48.28	48.28	—	—	100

As a consequence of such reductions the council, during the years 1956-62, lost the tax on rental value worth Rs. 50,000 per year.

Council against the assessments made by the valuation officers in the general revisions 1956 and 1961 are noted below :

Sl. No.	Assessment No	1956 Revision			Assessment No.	1961 Revision		
		Tax (in Rs.)		% of Reduction		Tax (in Rs.)		% of Reduction
		Before reduction	After reduction			Before reduction	After reduction	
1.	1,270	25	6	76	2,766	553	433	23
2.	544	100	50	50	1,824	198	133	30
3.	1,430	50	25	50	1,063	42	22	47
4.	932	25	12	52	834	50	22	53
5.	1,211	75	50	33	1,853	120	27	78

Though the range of reductions was not so high in Tirupati Municipality, it was, however, no exception to the general practice of ordering reductions on a large number of appeals by the council. As few typical examples of such reductions ordered are shown below:

In both these councils, selected from Telangana area, neither the general revision of the values of properties mandatory once in five years, nor the assessment of new properties constructed, were undertaken ever since 1952, the year in which the councils were reconstituted. The 1952

Sl. No.	Tax Before Revision	Tax Fixed by the Revision Officer			Tax Fixed by the Committee on Appeal	% of Reductions Ordered
		During	On appeal	% of Reduction ordered		
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1.	42.50	205.83	160.71	21.9	115.80	28.1
2.	38.58	109.34	96.48	11.9	60.44	37.5
3.	36.02	57.85	45.02	22.4	38.58	13.3
4.	36.20	51.43	51.43	- -	36.20	29.4
5.	32.58	51.44	51.43	1.8	23.14	54.9
6.	32.15	96.48	85.72	10.4	39.82	53.5
7.	29.98	77.18	77.18	---	51.42	33.8
8.	20.55	38.58	38.58	--	20.55	46.2

It may be observed that while the revision officer ordered reductions from about 2 per cent to 22 per cent, the committee, on appeal, ordered further reductions ranging from 13 per cent to 55 per cent. It is interesting to note that in 2 cases, the tax was reduced by the committee to the pre-revision level and in one case the reduction was less than the amount determined at the previous revision.

assessments were mere adoptions of the assessments made in 1942. In other words, the tax was not revised ever since 1942. It was brought to light that the unassessed houses were more than the assessed houses in these towns. The general revision undertaken by the valuation department in Warangal in 1962 revealed that the council was not realising even half of the revenue that it could have possibly realised, had the council

cared to do so. It was clear from the fact that annual demand settled by the valuation officers in 1962 was Rs. 19.68 lakhs as against a demand of Rs. 8.58 lakhs was in force at the time of the revision.

Hyderabad Corporation

The position regarding the valuation of properties in the Hyderabad corporation was no better. Quinquennial revisions were not at all undertaken for a very long time. It was only in 1959 that some sort of general revision was taken up in the Hyderabad division.* Even this was not done in the Secunderabad division. An interesting feature in this regard was that the range of assessment of properties, in both the wings of the Corporation, was far lower than the range of assessment made in small municipal towns in the State.

Thus, six case studies reveal that no valuation of properties whatsoever was undertaken in the municipal areas under reference. Their tax administration was so primitive, it would be meaningless to say any thing regarding uniformity of valuation in them. Available data show that what was true of the selected councils in Telangana was true of almost all the councils in that region.

The administration of the tax in the four municipalities studied in Andhra reveals that there was a great deal of variation in the assessment of properties. In all the four cases studied, revision petitions were preferred in unduly large number to the councils and the councils seemed to have allowed indiscriminate reduction of the values assessed. Reductions ordered often ranged from 25 per cent to 100 per cent of the amounts appealed against. In some cases, reductions granted were far more than what was asked for.

*Prior to 1959 there were two corporations in the state viz., the Hyderabad Corporation and the Secunderabad Corporation. In 1959 the latter was merged with the former. For the sake of convenience and for the maintenance of accounts the two corporations are treated as separate wings of the enlarged Corporation.

The contention of the State Government was that the number of petitions on which and the rate at which the reductions were ordered by the councils were very high. Also, the means adopted and the motive involved in them were quite contrary to law and the established code of conduct. The councils were acting under extraneous motive like vote catching tactics and helping the followers of the councillors etc., in complete disregard of the financial interests of the councils. Reductions ordered were highly arbitrary, discriminating and were not support by facts and figures. No pains were taken either to visit the properties or to make enquiries regarding them, before ordering reductions. The councils were undoing what was done by the valuation officers. This led often to revoke the appellate powers of the councils and some times even paved the way for their dissolution also.

The councils on their part argued that they were convinced that the rental values determined by the valuation officers in the general revisions were unduly high and they were only scaling them down in deserving cases. They also seem to feel that the valuation officers are alien to the town who have neither first hand knowledge of property values nor any idea about the means and needs of the property owners. The councils were of the opinion that the newly created valuation department and its officers were too anxious justify the retention of the new department and prove the superiority of their work over the previous mode of assessment by showing increasing revenue to the councils.

III

CHANGES IN THE 1965 ACT

In the 1965 Act, which seeks to integrate the laws governing the municipalities in both the regions, Andhra and Telangana, the State Government introduced

some noteworthy changes in regard to valuation of properties

In the old Acts, no distinction was made between the owner occupied and the rented buildings. All the buildings were to be assessed on their annual value. In the new Act while the buildings let out will continue to be assessed on their annual value, as pointed out earlier, the owner occupied buildings will be assessed on their capital value. Those buildings which are partly occupied by the owner and partly let out are to be assessed by adopting both the methods. That part of the building occupied by the owner is to be assessed on its capital value and the other parts let out, are to be assessed on their annual rental value. Yet a feature of the Act is that the method of assessment of private properties was extended to the valuation of Government properties also.

* The Act leaves wide discretionary powers in the hands of the valuation

officers in determining annual value of the buildings let out and it lays down a number of norms and restrictions on the valuation officers in determining the capital value of the owner occupied lands and buildings. The capital value of the building used or occupied by the owner shall be the total of the estimated value of the building, including the land appurtenant to the building, arrived at after detailed valuation with reference to the prevailing market rates for different materials used. In calculating the capital value depreciation may be allowed depending on the condition and age of the buildings as is shown below in the table

In addition, a rebate varying from 10 paise to Rs. 10 was also allowed based on the range of the tax.

For the purpose of estimating the cost of erection of buildings used or occupied by the owners, buildings may be classified into the following categories :

<i>Life of the building</i>				<i>Maximum depreciation allowed</i>
Below	2 years			Nil
Above	2 years	and below	5 years	5%
"	5	"	10 "	10%
"	10	"	15 "	15%
"	15	"	25 "	25%
"	25	"	35 "	30%
"	35	"	50 "	40%
"	50	"		50%

<i>Sl. No.</i> (1)	<i>Classification of Buildings</i> (2)	<i>Rate of cost per Sq. meter of plinth area</i> (3)
1.	<i>Buildings with Mud Walls</i>	
	Roofing with	
	(a) Grass, leaves read with bamboos	28.05
	(b) Tiles, shingles, slates	46.75
	(c) Metals, A.C. sheets	56.10
2.	<i>Brick walls in mud</i>	
	Roofing with	
	(a) Grass, leaves read with bamboos	46.75
	(b) Tiles, shingles, slates	65.45
	(c) G.I. or (metal) or A.C.	74.80
3.	<i>Brick walls in lime or in cement</i>	
	Roofing with	
	(a) Tiles, slates, shingles	76.50— 93.50
	(b) G.I. or (Metal) or A.C.	93.50—110.50
	(c) C.C. stone slabs	127.50—153.00
	(d) Brick in lime	127.50—153.00
4.	<i>Metal sheet walls</i>	
	Roofing with	
	Metal A.C. sheets	85.00— 93.50
5.	<i>Stone wall in mud</i>	
	Roofing with	
	(a) Metal A.C. Sheets	85.00
	(b) Brick and lime	119.00
	(c) C.C. and stone slabs	119.00
6.	<i>Stone walls in lime and cement mortar</i>	
	(a) Metal A.C. sheets	93.50 to 110.50
	(b) Brick and lime	136.60 to 161.50
	(c) C.C. and stone slabs	153.00 to 170.00
7.	<i>Steel frams strutures</i>	
	Roofing with	
	(a) Metal A.C. sheets	95.50
	(b) C.C. and stone slabs	131.75
8.	<i>R.C.C. frame structures</i>	
	(a) Ground floor	204.00—221.00
	(b) First floor	170.00—187.00
	(c) Second floor	170.00—187.00
	(d) Third floor	178.00—195.00
	(e) Fourth floor	187.00—204.00
	(f) Fifth floor	195.50—212.50

Where varying rates are provided, the councils, depending on local conditions, may adopt rates found suitable to them. The Secretary may also increase the rates determined by the councils by not more than 10 per cent, if, in his opinion, considering the nature and type of the building such an increase is necessary. The Government may vary rates once in 5 years or even at shorter intervals so as to keep in line with the changing rates.

In determining the value of the building the valuation officer has to obtain a certificate regarding the classification of the building from the engineering staff of the council. For the purpose of determining the age of the building, the valuation officer may rely on the documentary evidence where available and produced for verification. In the absence of such an evidence the valuation officers have to obtain a certificate regarding the age of the building from the municipal engineering staff.

In the old Acts vacant lands, owner occupied or let out, were assessed on their capital value or extent. In the new Act, as in the case of buildings, a distinction is made between the owner occupied (other than railways) and the let out lands. While the lands occupied by the owner are to be assessed on their capital value those let out are to be assessed on their annual value. Here, the rules required the valuation officer to ascertain capital value of the land, which is its prevailing market value, the market value being the reasonable price that it may secure if it is sold in the open market, having regard to its situation, present condition and value as a prospective site for house construction or for the location of mills, factories or other industrial or commercial concerns. He is also expected to have due regard to (1) the price paid for the land or for any portion thereof in the current year and in case it is not ascertainable, the average price, prevailing in the three years immediately preceding, after making due allowance for the lapse of time and difference in

respect of the situation of the land or of the amenities in the neighbourhood. He may also obtain through the Secretary of the council, particulars regarding all lands in the municipality, which were valued by the Registration Department in the current year and in the three years immediately preceding in connection with the acquisition of lands for public purposes or for assignment or sale of house sites belonging to the Government and the rate of capital value adopted in case of each such land and may take such rates as a general guide in making valuation of lands near the lands to which the rates relate. The Secretary may also obtain from the District Registrar or Sub-registrar, as may be the case, particulars of the transfer of property for sale in the preceding quarter and provide such information to the valuation officers for determining the value of the land. (2) Only two per cent of the capital value of the land so determined should be taken as the tax of the land.

IV CONCLUSIONS

The innovation in the 1965 Act is that the owner occupied lands and buildings should be assessed on the basis of their capital value. The *modus operandi*, suggested in the rules regarding the determination of capital value itself indicates the very nature of difficulties that are involved in the system. The valuation officers have to depend on the engineering staff for the classification of the buildings and the determination of their age. Where recorded evidence is produced the engineering staff are expected to accept them. In most cases, however, owners may not have documentary evidence regarding the cost of construction and the age of the buildings. In the absence of such evidence the engineering staff have to take pains in determining the cost of construction of the buildings a difficult task indeed. Consequently, the issue of certificates may become a matter of course. The objection raised against the municipal commissioners and revision

officers who were formerly in charge of valuation, will almost apply to the municipal engineering staff also. All this may lead to disuniformity rather than uniformity in the valuation of properties and there is no guarantee that the councils will improve their tax revenue by this method.

Yet, a difficulty to be noted is that the capital value of the buildings arrived at on the basis of the norms provided by the government may not be equal to the market value of the buildings which has a tendency to fluctuate.

It becomes difficult to argue that capital value will secure tax justice to the owners occupying their own houses. For, those who live in huge houses, constructed by their fore-fathers may have very little income and those who live in small houses may have larger incomes. The value of the house occupied by a owner may not be a correct indicative of the owner's capacity to pay the tax. Low and middle income groups in the urban areas often invest the whole of their life earning in the construction of a house as a security and savings and or for the sentimental satisfaction of owning a house. If the tax, on these buildings, is imposed on the correct assessment of the capital value it may fall heavily on their owners and curb incentives for owning houses.

The most anomalous part of the rules made in the new Act relates to the valuation of lands and buildings which are partly occupied by the owners and partly let out for rent. It will be highly difficult for the valuation officers to make a correct assessment of such properties. Normally, accurate information regarding the portion that are exactly let out and those that are occupied by the owners may not be available or produced.

Making rent actually paid as the basis for rented houses also may not lead to uniformity in assessment. For, it was often alleged that neither the owner nor the tenant reveal the rent actually paid.

In view of the acute shortage of housing accommodation in the urban areas, in most cases the tenant may not like to reveal the rent which he actually pays, lest he may either be evicted or he may not secure accommodation elsewhere. Normally, a majority of the houses in the towns are let out and they account for the major portion of the tax revenue. When such a large number of houses are assessed on their annual value which is equal to the rent actually paid, why a minority of the houses occupied by the tenants should be subjected to rigorous and meticulous valuations and calculations. The valuers who are trusted to determine the fair rent of the let out houses, may also determine the fair rent of the owner occupied houses.

It may be argued that the valuation officers at present are expected to take, as far as possible, rent actually paid as the basis of assessment. As has already been pointed out this is what is exactly happening at present and it is this factor that is responsible for the low yield of the tax. If the valuation machinery is improved, yield from property tax, from this section of the houses, viz., the rented houses, may increase considerably.

Thus, it is evident that the method introduced in the new Act may not secure uniformity in valuation. No doubt, adoption of capital valuation may be a better criterion, if the defects and difficulties involved in this method are eliminated. Non-availability of proper machinery, lack of staunch opposition from the public are bound to defeat the very purpose of this method, if hastened. Again, the valuation department, created in Andhra, is not manned by technically qualified persons. Without a change in this machinery, if capital valuation is adopted, the method is bound to suffer seriously in their hands.

Yet a point to be noted is that the valuation of properties in the town is carried by a number of valuation officers, the number depending upon the size of

town. Each valuation officer is allotted a few wards. Each valuation officer uses his own yardstick in the determination of the value of properties and thus not only that valuation becomes one man's business but also different yardsticks are allowed to be used in the determination of property values in one and the same town under similar circumstances.

The solution to these evils lie not in the changing over from annual to capital valuation of properties but in changing the very machinery of valuation. It is better to entrust the job of valuation to a group of technical persons, the group advisably consisting of engineers, town planners, one or two local representatives and experts in local taxation or administration. On this basis, the valuation committee may consist of the following personnel:

1. Municipal engineer of the council ;
2. Revenue divisional officer of the area ;

3. Town planning officer of the council ;
4. Chairman of the council ;
5. Secretary of the council ;
6. An expert in local taxation or local administration ; and
7. A local representative (either a councillor or a co-opted person or the representative of the Government).

Each property should be assessed by the Committee by actually visiting the property. As this committee consists or a group of experts representing all interests, it is likely to take a judicious view of the value of each property assessed. In view of this there is no need to vest the appellate authority in the council as is the case at present. If appellate power is continued to be vested in the council, the suggested committee will serve no useful purpose and the position may not improve much.

MUNICIPAL TAXATION IN RAJASTHAN

With the growing problems created by rapid industrialisation, urbanisation and association of local bodies as executive agencies in development planning at the local level, municipal administration is becoming more and more complex in the country. The image of municipal administration in the masses, at present, is not only far from satisfactory but also associated with inefficiency, corruption, delays and harassment; and, therefore, none is surprised, when democratic set-up of many cities and towns in the country had to be superseded and placed under administrators. The situation, therefore, is very alarming and steps have to be taken to put municipalities on a sound footing to perform their functions efficiently within democratic set-up, with clean efficient, imaginative administration, and having adequate resources at their disposal to match function.

Municipal Tax Revenue of India Vis-a-Vis Other Countries

The main sources of municipal revenue are : 1. Tax revenue, 2. Non-tax revenue, 3. Grants-in-aid, and 4. Borrowings. But the tax revenue accounts for the largest share of municipal income in all the States (see Table I). The average tax revenue of municipalities in India is 60.9 per cent.¹ Except Andhra, Assam, Bihar, Madras, Orissa, Mysore, Kerala and U.P. which are collecting below All India average, the income from tax revenue of all other States is higher than average.²

There exist significant differences in the degree of exploitation of the different taxes in States. States of Maharashtra, Mysore and Orissa are exploiting both direct as well as indirect taxes while in other States the emphasis is either on direct or indirect taxes.

Income from direct taxation account for a major share in Andhra, Bihar and

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¹ Zakaria Committee Report on *Augmentation of Financial Resources of Urban Local Bodies in India*, New Delhi, 1963, Appendix IIIA, p. 531.

² *Ibid.*, p. 140.

TABLE 1

Percentage Income of Municipalities from Different Sources in Each State of India
During the Year 1960-61 (in %)

Sl. No.	States	Tax Income	Non-Tax Income	Ordinary Grants	Grants Income
1.	Andhra Pradesh	57.9	21.0	21.1	100
2.	Assam	50.0	17.8	32.2	100
3.	Bihar	52.4	13.3	34.3	100
4.	Gujarat	62.8	24.6	12.6	100
5.	Jammu & Kashmir	85.3	14.7	—	100
6.	Kerala	52.5	33.3	14.1	100
7.	Madhya Pradesh	68.1	15.8	16.1	100
8.	Madras	59.4	30.1	10.5	100
9.	Maharashtra	63.1	18.9	18.0	100
10.	Mysore	60.3	23.6	16.1	100
11.	Orissa	43.1	14.8	42.1	100
12.	Punjab	68.7	30.0	1.3	100
13.	Rajasthan	61.5	25.5	13.1	100
14.	Uttar Pradesh	48.6	33.1	18.3	100
15.	West Bengal	70.3	12.1	17.6	100
16.	Delhi	78.8	12.8	8.4	100
All India		60.9	23.9	15.2	100

SOURCE : Report of the Committee on *Augmentation of Financial Resources of Urban Local Bodies in India*, New Delhi, 1963, p. 356.

Madras, 99 per cent; West Bengal, 96 per cent; Assam, 95 per cent; Kerala, 86 per cent; and Delhi, 71 per cent. Indirect taxes (octroi, terminal and toll tax) contribute major share in the States of Gujarat and U.P. 79 per cent; Jammu and Kashmir, 98 per cent; Madhya Pradesh, 77 per cent; Maharashtra, 53 per cent; Mysore, 63 per cent; Punjab, 81 per cent and Rajasthan 87 per cent.³

The percentage of municipal tax (61.5%) and non-tax (25.5%) revenue of the aggregate revenue in Rajasthan compares much favourably with other States of India, giving sixth position in the country. The other States, which collect more revenue through tax and non-tax are Jammu & Kashmir (100%); Delhi (91.6%); Punjab (98.7%); Madras (98.5%); and Gujarat (87.4%). This proves that Rajasthan is comparatively dependent on recurring grants.

It is pertinent to note that income of municipalities from tax revenue (61.5%) in Rajasthan compares favourably too with other countries of the world. The

percentage of tax revenue to total municipal revenue was 66 in Norway, 62 in Sweden, 61 in Canada, 68 in Australia, 56 in U.S.A., 47 in France, 46 in Denmark, 45 in West Germany, 40 in South Africa, and 39 in U.K.⁴

The relative importance of local taxes also differs from country to country in the municipal tax structure. The greater the dependence on a single tax, the lesser is the importance of different local taxes in relation to total revenue. In U.K. and South Africa taxes on land and building, known as rates, occupy the foremost place in local taxation. In the Scandinavian countries, where local income tax, provide the bulk of taxation, in West Germany a tax on business and trade and in U.S.A. the local sales tax occupies the most important source.

Not only relative importance of tax revenue differs from country to country but even from State to State in one country, for example in India, the relative importance of different taxes differs from States to States. (see Table 2).

TABLE 2
Percentage Tax Income in Different States of India of the First
Important Tax in 1960-61 (in %)

<i>States</i>		<i>States</i>	
	<i>House Tax Including Service Taxes</i>		<i>Octroi</i>
1. Andhra Pradesh	74.9	1. Gujarat	78.5
2. Assam	92.3	2. Jammu & Kashmir	98.1
3. Bihar	90.4	3. Madhya Pradesh	71.8
4. Kerala	70.8	4. Maharashtra	53.2
5. Madras	54.8	5. Mysore	52.1
6. Orissa	74.5	6. Punjab	80.0
7. Uttar Pradesh	59.67	7. Rajasthan	82.7
8. West Bengal	90.6		
9. Delhi	70.6		
All India	37.6		43.0

SOURCE : *Zakaria Committee Report*, p. 367.

³ Zakaria Committee Report on *Augmentation of Financial Resources of Urban Local Bodies in India*, op. cit., p. 142.

⁴ Report of a Study Group on New Sources of Local Revenue of the Royal Institute of Public Administration, London, Allen and Unwin, 1956, p. 42

MUNICIPAL TAXATION IN RAJASTHAN

Municipalities in Rajasthan do not have inherent powers of taxation; the Act governing their constitution specify the taxes that they can impose. The imposition of any tax and subsequent changes in rates are subject to prior sanction of the State Government. In some States, maximum and minimum rates have been prescribed in the statutes. The devolution is, therefore, not complete; but restricted by Act, rules and regulations.

Municipalities in Rajasthan have powers of taxation under the Rajasthan Municipalities Act, 1959, which also authorises the municipalities to borrow money, receive grants and enter into contracts with others. The three *obligatory taxes* provided in the Act are : (1) taxes on the annual letting value of buildings or lands or both situated within the municipality; (2) Octroi on goods and animals brought within the municipal area for consumption, use or sales; and (3) a tax on professions and vocations.⁵ The *discretionary taxes* provided in the Act are : (1) a tax on vehicles and conveyances; (2) a tax on dogs; (3) a tax on animals, used for riding, driving etc., (4) a toll on vehicles and other conveyances entering the municipality; (5) a tax on boats; (6) a scavenging tax; (7) a tax for cleaning privies; (8) a general sanitary tax for construction or maintenance, or both, of public privies and for the removal and disposal of refuse; (9) a lighting tax; (10) a water tax; (11) a tax on trades; (12) a tax on artisans and (13) any other tax that the State Legislature has power to impose under the Constitution.⁶

Trends in Tax and Non-Tax Revenue

The main sources of municipal revenue in Rajasthan can be conveniently grouped into : (1) tax, and (2) non-tax revenue.

Tax revenue includes taxes on house, water, lighting, conservancy and drainage,

octroi and terminal, vehicle, and miscellaneous taxes. Non-tax revenue includes revenue from municipal undertakings, property, fees and fines and contributions and grants from the Government. Apart from revenue sources, special items such as loans, advances and deposits, receipts on capital account and non-recurring grants for capital works also feature in municipal finance.

The data in Table 3 reveal that whereas tax revenue declined progressively in importance during the second plan, non-tax revenue tended to increase. The index number of growth of municipal tax income rose by 34.78 per cent during the Second Five-Year Plan giving an annual rise of 6.95 per cent; while that of non-tax revenue increased by 161.95 per cent during the same period, recording an annual increase of 32.23 per cent.

The trend, in the Third Plan, was not only checked but reversed also, i.e. tax revenue increased at a faster rate than non-tax revenue (see Table 3). Whereas tax revenue increased by 51.11 per cent during the Third Plan registering an annual increase of 10.22 per cent, non-tax revenue increased by 4.8 per cent during the same period giving an annual increase of 0.96 per cent. In other words, the annual increase in tax revenue has been more than ten times the non-tax revenue. The conclusion that emerges from the study of absolute amount of non-tax revenues is that the income from this source has become practically stagnant and the municipalities have been compelled to rely on tax revenue to meet their growing expenditure. Whereas the annual increase in aggregate income has been at a faster rate when compared to annual growth rate of the tax revenue during the Second Plan for the Third Plan the annual rate of increase in aggregate income has been at a lesser rate than that of the tax revenue. This was due to the fact that a large number of municipalities during this

⁵ *Rajasthan Municipalities Act, 1959, Sections 104 and 105.*

⁶ *Ibid.*, s. 105.

TABLE 3
Tax and Non-Tax Revenue Income of Municipalities in Rajasthan (in Rs.)

<i>Year</i>	<i>Tax Revenue</i>	<i>Non-Tax Revenue</i>	<i>Per Capita Tax</i>	<i>Index No. of Growth of Tax Revenue</i>	<i>Index No. of Growth of Non-Tax Revenue</i>	<i>Index No. of Growth of Income</i>
SECOND PLAN						
1956-57	1,01,07,437 (60.43)	66,17,586 (39.57)	3.43	100.00	100.00	100.00
1957-58	1,13,08,574 (57.63)	82,15,466 (42.37)	3.74	111.86	124.15	117.33
1958-59	1,12,11,036 (45.46)	1,34,52,418 (54.54)	3.63	110.92	203.26	147.46
1959-60	1,36,00,468 (52.64)	1,22,36,639 (47.36)	4.30	134.55	185.55	154.48
1960-61	1,36,22,714 (44.68)	1,72,81,769 (55.32)	4.20	134.72	261.15	184.78
THIRD PLAN						
1961-62	1,57,69,132 (46.68)	1,80,09,031 (53.32)	4.75	156.02 (100)	272.14 (100)	201.96 (100)
1962-63	1,66,47,378 (47.35)	1,85,07,624 (52.65)	4.90	164.70	279.67	210.19
1963-64	1,92,54,497 (52.90)	1,69,55,848 (47.10)	5.53	190.50	256.22	216.50
1964-65	2,10,19,216 (51.89)	1,97,22,818 (48.11)	5.90	207.96	298.04	243.60
1965-66	2,38,29,201 (55.80)	1,88,74,649 (44.20)	6.54	235.76	285.22	255.33
Index No. of growth			190.67			
Index No. of growth during Third Plan				251.11	204.10	226.42

SOURCE: Survey by the author of the income and expenditure of municipalities in Rajasthan, 1965-66.

NOTE : Figures in brackets are percentages to totals.

period revised the annual value of property and also did upward revision of rates of taxes.

In absolute terms both tax and non-tax revenues increased during the decade. The growth in tax and non-tax revenue was 135.76 and 185.22 per cent respectively, while the growth in aggregate income has been 155.33 per cent. The annual rate of increase in tax revenue has been 13.58 per cent, and non-tax revenue had a rise of more than two times that of tax revenue during the same period.

Trends in Tax Revenue

An analysis of resource mobilisation during the period reveals a number of significant trends (Table 3). The volume of resources mobilised through taxes increased by 135.75 per cent during this period giving an annual average growth of 13.58 per cent. This shows that the municipalities did some efforts during the period, particularly during the Third Plan period, to raise their tax revenue through the enhancement of tax rates, revision of tax assessments and introduction of compulsory taxes; although a part of this increase was due to rise in prices, expansion of trade and commerce and increase in population in urban areas. However, it is pertinent to note that all the municipalities did not revise the annual values of house property nor did all of them raise the rates of municipal taxes. Moreover, all of them did not impose the compulsory taxes required to be levied under the Rajasthan Municipalities Act, 1959. The efforts made in this direction during the period differed between different classes of municipalities and from municipality to municipality in each class. The relative importance of tax and non-tax sources also differed during the period between different classes and even in the same class between different municipalities (see Tables 6 and 7). The analysis clearly shows that municipalities operated on the basis of unplanned financial policy

and with no *inter se* coordination. The share of tax revenue accounted for 60.43 per cent of the aggregate income in 1956-57, it declined to 44.68 per cent in 1960-61 although it improved to 55.80 per cent in the year 1965-66, which was less than the share of tax revenue in 1956-57. Although the dependence of municipalities on tax revenue tended to decline during the period of study; yet this source contributed as much as 55.80 per cent of the aggregate income in 1965-66 and thus proved an important source of aggregate revenue. If the latest trend as visible during the Third Plan period continues, it would further improve the percentage yield from tax revenue.

Per Capita Municipal Taxation

In spite of decline in the relative importance of tax revenue during the Second Plan period, it is pertinent to note, that incidence did not decrease. It was Rs. 4.20 in 1960-61 as against Rs. 3.43 in 1956-57. During the Third Plan it increased further from Rs. 4.75 in 1961-62 to Rs. 6.54 in 1965-66. The per capita incidence of taxation rose, except in the year 1958-59 and 1960-61, by 90.67 per cent during the decade.

The incidence of municipal tax per head shows a continuous rise (see Table 4); it increased from Rs. 3.43 in 1956-57 to Rs. 6.54 in 1965-66. This steady increase during the Third Plan was due to imposition of the three compulsory taxes and collection of arrears of house tax and other taxes. Municipal income per capita from taxation rose by 90.67 per cent during the decade giving an annual rate of 9.06 per cent.

It may be recalled that the Zakaria Committee calculated all India average per capita income of municipalities at Rs. 14.15. In Rajasthan municipal per capita income in 1960-61, according to the Committee was Rs. 70.60—the lowest in the country.⁷

⁷Zakaria Committee Report, *op. cit.*, p. 379.

TABLE 4

Per Capita Tax Income of Municipalities
in Rajasthan

Year	Per Capita Municipal Taxation (in Rs.)	Per Capita Municipal Revenue (in Rs.)
SECOND PLAN		
1956-57	3.43	5.67
1957-58	3.73	6.50
1958-59	3.63	7.98
1959-60	4.30	8.17
1960-61	4.20	9.57
THIRD PLAN		
1961-62	4.75	10.16
1962-63	4.90	10.35
1963-64	5.53	10.44
1964-65	5.90	11.44
1965-66	6.54	11.71
Index No. of Growth 90.67		
Base Year=1956-100		

SOURCE : Survey by the author. Population
Projected on the basis of 1961
census.

From this, it can be inferred that a
large number of municipalities in Rajas-
than are poor and are incapable of pro-
viding amenities to the citizens.

TABLE 5

Analysis of Per Capita Municipal Taxa-
tion in Rajasthan for the Year 1960-61

Per Capita Class Interval	No. of Municipalities
Below Rupee 1	35
Rupee 1 to Rupees 2	28
Rupees 2 to Rupees 3	17
Rupees 3 to Rupees 4	21
Rupees 4 to Rupees 5	10—111
Rupees 5 to Rupees 6	5
Rupees 6 to Rupees 7	3
Rupees 7 to Rupees 8	9
Rupees 8 to Rupees 9	1
Rupees 9 to Rupees 10	4
Rupees 10 and above	8—30
	141

SOURCE : Survey by the author of income
and expenditure of municipali-
ties in Rajasthan, 1965-66.

As many as 111 municipalities out of
141 were raising less than Rs. 5 as per
capita municipal tax income and only
30 municipalities had per capita tax of
over Rs. 5 (see Table 5). The low per
capita income was common to all the
classes of municipalities, as shown in
Table 7. Usually it is noted that the lower
classes of municipalities had lower per
capita tax income.

*Tax Revenue of Municipalities in Rajasthan
According to Classes*

The growth of tax revenue of different
classes of municipalities in Rajasthan has
not been uniform (Table 6). The rate of
growth has been faster in case of lower

TABLE 6

Tax Revenue of Municipalities in Rajasthan According to the Classes of Municipalities (in Rs.)

<i>Class year</i>	<i>I</i>	<i>II</i>	<i>III</i>	<i>IV</i>	<i>V</i>	<i>Total</i>
<i>No. of M B</i>	<i>10</i>	<i>15</i>	<i>22</i>	<i>43</i>	<i>51</i>	<i>141</i>
SECOND PLAN						
1956-57	59,56,525 (58.94)	16,12,644 (15.96)	13,76,026 (13.61)	8,93,494 (8.84)	1,68,948 (2.66)	1,01,01,437 (100)
1957-58	64,59,544 (57.12)	18,78,719 (16.61)	15,05,119 (13.31)	11,21,045 (9.92)	3,43,547 (3.04)	1,13,08,574 (100)
1958-59	63,08,742 (46.37)	19,18,141 (17.11)	14,21,894 (12.68)	11,72,816 (10.46)	3,39,438 (3.48)	1,12,11,036 (100)
1959-60	80,75,666 (59.38)	20,43,566 (15.03)	16,90,584 (12.43)	13,24,925 (9.74)	4,65,727 (3.42)	1,36,00,468 (100)
1960-61	78,85,331 (57.88)	22,20,024 (16.30)	16,60,964 (12.19)	13,39,923 (9.84)	5,16,472 (3.79)	1,36,22,714 (100)
THIRD PLAN						
1961-62	97,36,443 (61.74)	22,99,843 (14.58)	17,79,763 (11.29)	13,92,018 (8.83)	5,61,263 (3.56)	1,57,69,132 (100)
1962-63	98,17,564 (58.97)	25,92,420 (15.57)	19,57,844 (11.76)	16,27,931 (9.78)	6,51,619 (3.92)	1,66,47,378 (100)
1963-64	1,08,87,344 (56.54)	31,25,377 (16.23)	22,91,754 (11.91)	21,23,770 (11.03)	8,26,252 (4.29)	1,92,54,497 (100)
1964-65	1,14,54,114 (54.49)	36,01,646 (17.14)	25,70,728 (12.23)	23,96,996 (11.40)	9,95,732 (4.74)	2,10,19,216 (100)
1965-66	1,28,16,660 (53.79)	41,54,437 (17.43)	29,11,502 (12.22)	28,01,502 (11.76)	28,02,502 (4.80)	2,38,29,201 (100)

SOURCE : Survey by the author of income and expenditure of municipalities in Rajasthan, 1965-66.

NOTE : Figures in brackets are percentages to the total income from this source.

classes of municipalities. The highest rate of growth was recorded by Class V municipalities and the lowest by Class III.

Although the percentage tax revenue enjoyed by the various classes of municipalities varied during the period, the ranking of various classes of municipalities remained the same. The percentage tax revenues in 1956-57 were 58.94, 15.96, and 13.61 in Classes I, II and III respectively; the percentage for Classes IV and

V were 8.84 and 2.66 respectively. In 1965-66, the percentages were 53.79, 17.43 and 12.22 for the first three classes and the percentages for Classes IV and V were 11.76 and 4.80 respectively. Thus the share of Class I and Class III declined while that of Classes II, IV and V increased. The tax revenue in absolute terms was more in the bigger municipalities as compared to the smaller ones in 1956-57 and it continued to be so in 1965-66.

TABLE 7

Variation in Per Capita Municipal Tax Revenue in Rajasthan in Different Classes of Municipalities in 1960-61

Class	No. of M.B.	Below Rupee one	Rs. 1-2	Rs. 2-3	Rs. 3-4	Rs. 4-5	Rs. 5-6	Rs. 6-7	Rs. 7-8	Rs. 8-9	Rs. 9-10	Rs. 10 & above
I	10	—	—	1	3	1	2	—	1	—	1	1 Ajmer Beawar
II	15	—	—	—	4	2	2	—	3	1 Abu Road	1 Rai- singh Nagar	2 Hanuman- garh and Mt. Abu
III	22	—	1	3	6	3	—	3	3	—	—	3 Kekri, Gajsinghpur Sangaria
IV	43	8	11	9	4	4	1	—	2	—	2 Surat- garh Bhawani- mandi	2 Kherli, Ramganj- mandi
V	51	27	16	4	4	—	—	—	—	—	—	—
Total of M.B.	141	35	28	17	21	10	5	3	9	1	4	8

SOURCE: Survey by the author of income and expenditure of municipalities in Rajasthan, 1965-66.

As the figures in Table 7 show, per capita municipal tax revenue has not been uniform in the different classes of municipalities. It was due to their varying tax efforts. In absolute terms great efforts were made by Class II followed by Class I, III, V and IV (see Table 8). Further, their rate of growth in percentage terms has not been uniform. The

rate of growth of per capita tax in percentage terms has been higher in case of Class V as compared to Classes I, II, III and IV. The increase in the rate of growth has been higher as the class of municipality declined showing that the smaller municipalities made more efforts than the bigger ones to raise revenue by taxation during the period.

TABLE 8
Per Capita Municipal Taxation in Rajasthan by Different Classes of Municipalities (in Rs.)

<i>Class</i>	<i>I</i>	<i>II</i>	<i>III</i>	<i>IV</i>	<i>V</i>	<i>Total</i>
<i>Year</i>	<i>10</i>	<i>15</i>	<i>22</i>	<i>43</i>	<i>51</i>	<i>141</i>
SECOND PLAN						
1956-57	3.71	4.77	3.99	3.3	0.64	3.43
1957-58	4.64	5.49	2.28	2.12	0.80	3.73
1958-59	4.49	5.34	3.95	2.20	0.89	3.63
1959-60	5.46	5.54	4.61	2.44	1.05	4.30
1960-61	5.39	5.36	4.45	2.41	1.14	4.20
THIRD PLAN						
1961-62	6.38	5.91	4.71	2.46	1.22	4.75
1962-63	6.26	6.49	5.09	2.82	1.39	4.90
1963-64	6.77	7.62	5.82	3.60	1.72	5.33
1964-65	6.93	8.55	6.29	3.99	2.03	5.90
1965-66	7.28	9.62	7.13	4.56	2.31	6.54
Index No. of growth	196.22	201.67	178.69	138.18	360.93	190.67

SOURCE : Survey by the author of income and expenditure of Rajasthan municipalities, 1965-66.

Analysis of Per Capita Tax Revenue by Classes

From the detailed analysis of the per capita tax income of different classes of municipalities (see Table 7) in the year 1960-61, it is noticed that in Class I group, 5 municipalities (Sikar, Rs. 2.55; Jaipur, Rs. 3.52; Bikaner, Rs. 3.59; Jodhpur, Rs. 3.36; and Kota Rs. 4.31) had less than Rs. 5 per capita tax revenue while in the same Class, the remaining 5 (Ganganagar, Rs. 5.99, Udaipur, Rs. 5.86; Alwar, Rs. 8.86; Ajmer, Rs. 9.73; and Beawar, Rs. 13.06) recorded more than Rs. 5 per capita tax revenue.

Similarly in the case of Class II, six municipalities (Tonk, Rs. 3.48; Bharatpur, Rs. 3.52; Sujjangarh, Rs. 3.29; Pali, Rs. 3.79; Kishangarh, Rs. 4.87; Jalore, Rs. 4.11) had less than Rs. 5 per capita tax revenue while the remaining nine in the same class (Merta, Rs. 5.18; Barmer, Rs. 5.35; Bhilwara, Rs. 7.85; Banswara, Rs. 7.50; Bundi, Rs. 7.92; Abu Road, Rs. 8.00; Raisingnagar, Rs. 9.17; Hanumangarh, Rs. 10.94; and Mt. Abu, Rs. 18.69) were having more than Rs. 5 per capita tax revenue.

In case of Class III, 13 municipalities (Churu, Rs. 1.98; Dholpur, Rs. 2.29; Ratangarh, Rs. 2.29; Sardarshahar, Rs. 2.41; Rajagarh, Rs. 3.19; Rajgarh (Churu) Rs. 3.25; Doongarh, Rs. 3.54; Bhinmal, Rs. 3.80; Sirohi, Rs. 3.41; Chittorgarh, Rs. 3.58; Pushkar, Rs. 4.83; Nagaur, Rs. 4.06; Nimbhara, Rs. 4.42) had less than Rs. 5 per capita tax revenue while the remaining 9, in the same class (Nohar, Rs. 6.71; Partapgarh, Rs. 6.64; Baran, Rs. 6.48; Shri Karanpur, Rs. 7.64; Balotra, Rs. 7.75; Doongarpur, Rs. 7.25; Sangaria, Rs. 10.60; Gajsinghpur, Rs. 11.02; and Kekri, Rs. 11.10) had municipal tax revenue of over Rs. 5 per capita.

In Class IV only 7 (Kushalgarh, Rs. 5.07; Bhadara, Rs. 7.71, Jaisalmer,

Rs. 7.19; Suratgarh, Rs. 9.60; Bhawani-
mandi, Rs. 9.09; Ramganjmandi, Rs. 10.41, and Kherli, Rs. 13.89), out of 43 municipalities, had more than Rs. 5 per capita tax revenue and the rest 36 enjoyed less than Rs. 5 per capita tax revenue.

All the 51 municipalities in Class V had income below Rs. 4 from tax source and as many as 27 municipalities had even less than Rupee 1

It is interesting to note that in bigger municipalities like Jaipur, Bikaner, Kota and Jodhpur, increase in their tax revenue over the year was offset by the pressure of population; and thus all had less than Rs. 5 per capita tax income in 1960-61. But many small municipalities in hill towns, canal areas, pilgrimage centres and other trading areas had higher per capita tax revenue

It is also surprising that some of the municipalities in the arid region of Rajasthan had higher per capita tax income, viz., Barmer, Rs. 5.35; Baltora Rs. 7.75; Jaisalmer, Rs. 7.19; Merta, Rs. 5.28.

Concluding Observations

This study shows the rate of growth of municipal income in Rajasthan over a decade. Even the present rate of growth will not, however, enable the municipalities to provide for the minimum per capita income needed to ensure minimum municipal services in the near future. This indicates the necessity of increasing tax as well as non-tax revenues. This will not be possible unless rationalisation of urban local bodies is done as suggested by the author elsewhere⁸ and a separate sphere of taxation is allocated to the municipalities, which they should exploit fully. The Rajasthan municipalities should be made to levy obligatory and discretionary taxes and the tendency to abolish vehicle tax toll tax and 'other taxes' needs to be checked

⁸For detailed suggestion of rationalisation of Urban Local Bodies in India, read author's article on the subject in *Journal of Administration Overseas*, London, Vol. X, No. 4, Oct. 1971,

Besides they should be encouraged to levy new taxes. The State Governments should also not encroach on the municipal tax field and should share with the municipalities the proceeds of entertainment tax, motor vehicle tax, passengers tax, sales tax and tax on electricity duty. The urban property taxation levied by the state should be withdrawn systematic state grants-in-aid and loans will also have to be assured. The Central Government should permit municipalities to tax Government and Railways properties, permit local bodies to impose terminal tax,

remove the restrictions on the levy of the profession tax, and should also allocate share in the nationalised industries, besides giving grants to local bodies for centrally assigned functions.

Even when this is done, the municipalities will not be able to stand on their own legs and will not be able to provide the basic municipal services to the citizens. This would necessitate linking up of municipal financed with State and National finances through the mechanism of grants-in-aid³



³ See author's article "Financing Municipalities in India—A Case Study of Rajasthan", *Nagarlok*, Vol. III, No. 2, 1971, pp. 35-42.

ATTITUDINAL
ORIENTATIONS OF
URBAN
LEGISLATORS
TOWARD THE
OMBUDSMANIC
DEMANDS FROM
CONSTITUENTS :
A RESEARCH
NOTE

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MANINDRA KUMAR MOHAPATRA*

Analysis of political roles in local government institutions has risen above the legalistic orientations. A review of current national and crossnational research in this area indicates that most scholars shy away from formalistic examination of the functions of local political actors such as local councillors, city managers, mayors and so on¹. They seek to identify the behavioral dimensions of their role in the local political process, despite the methodological difficulties involved in the study of overt political behavior². Very often survey research techniques provide the data for such analyses³. Given this state of research on local political behavior, analysis of legislative roles in local law-making institutions emerges as a significant area for systematic inquiry. An empirical exploration of the councilmanic roles seems meaningful for two major reasons. The first relates to the pervasive legalistic view that the city councilmen are legislators for the city government and as such their basic function is to make laws for the city. Secondly, there also pervades the "barbershop cynicism" about shady motivations and goals of city politicians. The present study hopes to transcend above such polar views on city councilmen and undertake an analytical study of the role perceptions of local legislators. Role perceptions of legislators should

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¹ For a review of the current status of research in local government and politics see the following: C.J. Davies, "Comparative Local Government as a field of Study" *Studies in Comparative Local Government*, Winter 1970, pp. 38-44; R.A.W. Rhodes, "European Local Government: A Bibliographical Essay," *Local Government Studies*, Oct. 1971, pp. 49-62; Donald Rosenthal, "Local Power and Comparative Politics: Notes Toward the Study of Comparative Local Politics," A paper presented at the 68th Annual Meeting of the American Political Science Association, 1972.

² For limitations of behavioral research in political science see the following. John Kemeny, "A Philosopher Looks at Political Science," *Journal of Conflict Resolution*, Sept., 1960, pp. 295-305; Christian Bay, "Politics & Pseudopolitics: A Critical Evaluation of Some Behavioral Literature", *American Political Science Review*, March 1965, pp. 39-51; Howard Ehrlich, "Attitudes, Behavior and the Intervening Variables", *American Sociologist*, Feb., 1969, pp. 29-34

³ For studies on "Political Roles" in local government and politics that have employed survey research techniques see the following: Kenneth Prewitt, *The Recruitment of Political Leaders: A Study of Citizen Politicians*, (Indianapolis: Bobbs Merrill, 1970); John Buechner, *Differences in Role Perceptions in Colorado Council Manager Cities* (Boulder: Bureau of Governmental Research and Service, University of Colorado, 1965) and Ronald Loveridge, *City Managers in Legislative Politics* (Indianapolis: Bobbs Merrill, 1970).

provide an insight into the behavioral dimensions of a legislature as a political institution⁴. The concept of "legislative role" has been variously operationalized in empirical studies.⁵

In this paper we are primarily concerned with what has been conceptualized as "Ombudsmanic Role" of the legislators⁶. This relates to the role that the legislators play in relation to the grievances of individual constituents. Such grievances should be analytically separated from the questions of public policy, as they tend to be administrative in nature. The role that the legislator plays in this context may be labeled as "red-tape cutter".⁷ The legislators intervene in the administrative process and attempt to see that the individual's grievance is redressed.

A number of significant questions may be raised in the context of this role of the legislators in local political process: Why do the legislators perform this role and how often? How do they feel about such roles? How does their role performance fit in their overall performance? What kinds of constituents prefer to communicate their individual grievances about the city administration to the local legislators? How effective is the Ombudsmanic role of the local legislators? Given the current status of research it may seem difficult to answer all these questions. Further, the question of cross-cultural evidence appears necessary

before any significant generalizations can be proposed.

Objectives of this Inquiry

The study reported in this paper has a limited set of goals. Firstly, it seeks to identify the nature of Ombudsmanic demands that reach the city councilmen. What types of complaints are directed toward them? Do these involve significant questions of public policy? Do these involve collective or group-oriented problems? Do these involve problems of individuals? Secondly, the present inquiry seeks to identify the perceptions of councilmen about constituents. Do the councilmen think that most constituents are interested in their Ombudsmanic services? Do the councilmen think that their "policy-maker" role is considered more important than their "Ombudsmanic" role? Thirdly, how do the councilmen evaluate their Ombudsmanic role? Do they consider it as important? A search for the answers to these questions is the basic goal of this paper. It also seeks to evaluate the empirical findings about these questions in light of the general body of literature.

Research Setting and Methodology

A six-city metropolitan area in South-eastern Virginia provided the setting for this study. These six cities have considerable variations in terms of their social, economic and political characteristics.⁸

⁴ For "legislative role" concept see John C. Wahlke et. al. *The Legislative System: Explorations in Legislative Behavior* (New York: Wiley, 1962) pp. 237-376. Also see Malcolm E. Jewell "Attitudinal Determinants of Legislative Behavior: The Utility of Role Analysis", in Allan Kornberg and Lloyd Musolf (ed.) *Legislature in Developmental Perspective* (Durham: Duke, 1970) pp. 460-500. Also see Stephen Frantzich, *A Comparative Study of Legislative Roles and Behavior* Unpublished Doctoral Dissertation, University of Minnesota, 1971).

⁵ Frantzich, *Ibid*

⁶ For an operationalization of the concept of Ombudsmanic role of legislators see John W. Soule, "Future Political Ambitions and the Behavior of Incumbent State Legislators," *Midwest Journal of Political Science*, August, 1969, pp. 439-444.

⁷ For a cross-national comparison of Ombudsmanic demands on legislators see this author's "Legislators' Administrative Role Perceptions in an Indian State," *Indian Journal of Public Administration*, Dec., 1971, pp. 667-697.

⁸ For a comprehensive study of local politics in Tidewater cities see David Temple, *Meager Politics: Local Government Consolidation in Tidewater Virginia* (Charlottesville: University of Virginia Press, 1972).

However, all the six cities have a council-manager form of government. Certain comparative indicators of local politics in these six cities have been presented in Table 1. A complete list of all individuals who held the positions of City Councilmen in these cities between 1965-1970 and were no longer in office was prepared. This list included 35 names. Of the individuals on this list three were dead and eight had moved out of the region leaving a total of 24 names. During the fall 1971 an attempt was made to seek a personal interview with all the 24 individuals; 20 were successfully interviewed. The data presented in this paper relate to these twenty councilmen.

The procedure followed in gaining access to the respondent councilmen was a standard one. A letter indicating the general nature of the study was mailed to each respondent well ahead of time. The interviewers were then advised to contact the respondents and seek personal interviews with them at their own convenience. The interviews were conducted on the basis of a questionnaire

Social Profile of Ex-Councilmen

Table 2 presents a socio-economic profile of the respondent ex-councilmen in Southeastern Virginia cities. A majority of these individuals had over five years experience as city councilmen including about twenty per cent who had more than ten years experience. Although most of the cities which they represented have a sizable black population among the ex-councilmen there is none with such ethnic background. Even at the present time (1971) the total number of black councilmen among the incumbents is very small.⁹ The group of ex-councilmen does not include any women and also very few

women are found among the incumbents. If occupational origin could be viewed as an indicator of social status, most ex-councilmen come from middle class origin. In terms of higher education the respondents are almost evenly divided between the "college-educated" and "non-college educated". Nearly seventy-five per cent of the respondents were past fifty including about forty per cent who are above sixty. These socio-economic characteristics of the respondents should be kept in view while examining their attitudinal orientations. This profile of the ex-councilmen in Southeastern Virginia cities closely relates to the social profile of city councilmen in most American communities.¹⁰

Nature of Ombudsmanic Demands : A Thematic Analysis

The following question was administered to all respondents to identify the nature of constituents' demands that are directed at the local legislators :

Question : While you were in office, were you often called upon by individual constituents to help them about their individual problems ? If so, what were such problems ?

All the twenty respondents indicated that individual constituents contacted them in connection with their personal problems relating to the city services. A thematic content analysis of the nature of complaints that came to the attention of the ex-councilmen indicates great variety. These include street lighting, street repair, administrative mistake in utility bills, building permit, garbage collection, animal nuisance, and such other matters. Only one councilman indicated that he

⁹ This inference is based on the data collected for the larger study. This data will be reported later through other scholarly papers.

¹⁰ For some comparative data on the social profile of city councilmen in American communities see the following : Richard Feld and Donald Lutz, "Recruitment to the Houston City Council," *Journal of Politics*, August, 1972, pp. 924-933; Douglas Harman, "Trends Affecting Council Administration Relationships," *Public Management*, June, 1972, pp. 16-18; Rosaline Levenson, *Municipal Legislators : A Study Attributes, Attitudes and Job Satisfaction* (Unpublished Doctoral Dissertation, University of Connecticut, 1971); Buechner, *op cit.*; Prewitt, *op cit.*

TABLE 1

Profile of Cities

<i>Characteristics</i>	<i>Norfolk</i>	<i>Virginia Beach</i>	<i>Portsmouth</i>	<i>Chesapeake</i>	<i>Newport News</i>	<i>Hampton</i>
Area	61.84 sq. mi.	312 sq. mi.	45.5 sq. mi.	353 sq. mi.	57 sq. mi.	65 sq. mi.
Population (1970)	307,951	172,106	110,903	89,580	138,177	120,779
Negro Population (1970)	28%	9%	40%	23%	28%	25%
Estimated Expenditure in City Government 1972-73 (in dollars)	130,892,129	67,940,458	63,847,197	43,863,976	64,900,000	48,935,646
Electoral Participation in local elections (1970 & 1971)	31%	38%	30%	24%	21%	24%
Size of City Councils	7	11	7	9	7	5
Yearly Salary of City Councilman	\$4800	\$4800	\$3600	\$2400	\$2400	\$1800
No. of Ex-City Councilmen Included in this Study	3	3	4	5	3	2

SOURCES : Public Documents published by the cities and the U.S. Census Data

TABLE 2
Social Profile of Ex-councilmen
(N=20)

<i>Age</i>	<i>Percentage</i>
40-49	25
50-60	35
60+	40
<i>Education</i>	
Less than high school	15
High School	40
Some college	25
College degree	20
<i>Occupation</i>	
Business	70
Farmer	10
Government Employee	10
Professional	10
<i>Sex</i>	
Male	100
Female	0
<i>Ethnicity</i>	
White	100
Black	0
<i>Experience as Councilmen</i>	
Less than 5 years	40
5-10 years	40
Over 10 years	20

was often approached by the individual constituents for clarifications of city rules. Another councilman indicated constituents demanding jobs for relatives. An overview of their demands indicate these do not reflect policy-oriented concerns. They relate to the area of administrative decision making by the local bureaucracy. In some cases the constituents expect the

councilmen to do them special favors, as in the case of "jobs for relatives". But in most cases, it appears that the complaints related to bureaucratic unresponsiveness or arise out of the complexity of bureaucratic structure. An average citizen may be bewildered by the complexity of local bureaucracy and seek the assistance of councilmen for assistance.

*Attitudes Toward Ombudsmanic Role :
The Councilmanic Views*

The following question was designed to identify the orientations of the ex-councilmen toward their Ombudsmanic role. The responses have been tabulated below.

Question : "How important a part of your job it was as a councilman to help individual constituents ?"

TABLE 3
Councilmanic Orientations Toward
Ombudsmanic Role

<i>Responses</i>	<i>Percentage of Councilmen N=20</i>
Very Important	60
Somewhat Important	30
Not Important	10
Total	100

With the exception of a very small percentage (10%) of the respondents all ex-councilmen tended to agree about the importance of their Ombudsmanic role. However, among these respondents a minority (30%) did not assign great significance to this function. Among the councilmen who perceived Ombudsmanic function as their most important role behavior some typical responses were as follows :

"Most important part. It is the purpose of being a councilman."

"Very important, if you want to be re-elected."

"It was the most important function. Since little policy-making is made by the local city, the primary purpose of a city councilman is to help his local people."

"Very important. But it is impossible for one individual to take care of all personal problems. Most educated people call the city department involved. Problem is if you call the department you cannot find anybody there to help."

In general, these responses indicated the willingness of the ex-councilmen to behave as Ombudsman on behalf of aggrieved constituents. In the case of a few ex-councilmen their responses suggest the primacy of Ombudsmanic function, on the ground that their law-making functions as local legislators are not of great significance. In the case of some individuals such willingness might arise out of the perceptions of electoral pay off. Others might view this as a strategy for influence in the community political system. Despite the possibility of such motivational diversity, Ombudsmanic role seems acceptable to nearly all ex-councilmen included in this study.

Law-Maker or Ombudsman? An Analysis of Civic Expectations

Systematic studies have begun to focus on the civic attitudes toward legislative roles. Such inquiries necessitate mass-level survey research¹¹. In the present study civic expectations in relation to the councilmanic role have been analyzed on the basis of perceptual data from the ex-councilmen.

The following question was designed to examine the perceptions of the respon-

dent ex-councilmen about the constituents. The table below reports the response patterns.

Question: "Do you think that your constituents were more interested in such help or in your position on policy matters to be voted upon by the city council?"

The ex-councilmanic response to this question suggests three distinct patterns. A sizable minority of these local legislators felt that most constituents were primarily interested in Ombudsmanic assistance from the councilmen.

TABLE 4
Ex-councilmen's Perceptions of
Constituent's Expectations
(N=20)

<i>Responses</i>	<i>Percentages of Councilmen N=20</i>
Constituents primarily interested in individual help	35
Constituents primarily interested in his position on policy	40
Constituents interested in both	25
Total	100

Another set (40%) of respondents indicated that their constituents were

¹¹ For studies of civic attitudes toward legislative roles see the following: Carl McMurry and Malcolm Parsons, "Public Attitudes Toward the Representative Roles of Legislators and Judges," *Midwest Journal of Political Science*, May, 1965, pp 167-185; Daniel Klassen, "Political Expectation/Perception Differences as Prediction of Public Trust in Government", A paper presented at the 68th Annual Meeting of American Political Science Association, 1972.

more interested in their position on civic policy matters. Many respondents in this category indicated moralistic overtone in their responses. A typical answer has been reproduced below :

"Yes, interested in policy. No personal favors. Must benefit the whole city."

A third set of respondents (25%) indicated mixed responses. Some typical responses have been reproduced below.

"Interest in help on small issues, interested in policy matters on big issues."

"It is about even. People felt that a councilman was closer to the problem and could handle it better himself. But they were also interested in policy matters."

It is difficult to derive any significant inferences about the civic attitudes from the perceptual data on ex-councilmen. But such data indicates the pervasiveness of demand making attitudes among the constituents. A number of significant questions can be raised in this context. What types of constituents make Ombudsmanic demands and how often? What types of constituents disapprove of the Ombudsmanic role of the local legislators? Answers to these questions require more empirical data.

Conclusion

The objective of this paper has been systematic exploration of the attitudes of local legislators towards their Ombudsmanic role on behalf of the aggrieved constituents. A six-city metropolitan area in the United States provided the setting for this study. On the basis of the atti-

tudinal data collected from twenty ex-councilmen and analyzed in this paper we might be in a position to derive the following conclusions.

First, this case study provides adequate evidence to suggest the presence of Ombudsmanic behavior among the city councilmen in American communities. Since cross-cultural data also indicates similar patterns, it may seem appropriate to conceptualize Ombudsmanic behavior of legislators, in general, as legislative role. Such conceptualization should tend to weaken the scholarly view that such orientations of legislators are the characteristics of modernizing or developing political systems.

Second, the Ombudsmanic behavior of legislators may be closely related to civic expectations. The fact that the constituents seek the assistance of legislators in their problems involving the public bureaucracy indicates their normative support for legislators' role. But the extent to which such expectations pervade among people is difficult to conclude in the absence of empirical evidence. Studies of this nature are not entirely conclusive and suggest the need for future research.

Lastly, the Ombudsmanic role orientation of local legislators is closely related to the emergence of Ombudsmanic institutions in different settings. Many American communities have begun to institute offices of Ombudsman for the systematic handling of civic complaints in relation to the public administration at the local level.¹² What is the likely impact of such institutions on the Ombudsmanic behavior of local legislators? These and other related questions open up new vistas for systematic political research.

¹² Bernard Frank, "The Ombudsman Concept is Expanding in the U.S.", *National Civic Review*, May, 1972, pp. 232-235.

PHILOSOPHY OF PURCHASING

What is purchasing? Is it haggling like the housewives do with the vegetable sellers? Is it penny-pinching for which the petty-minded are known? Is it buying poor quality stores at low rates? It seems that purchasing means different things to different people. The consumer believes that the 'Store Purchaser'[†] is only a bottleneck who prevents him from getting what he wants at the time that he needs, a middleman who delights in frustrating the very object of acquiring an article. The Supplier considers the 'Store Purchaser' an ignoramus who leads him to the difficult path of contracting and tries to create a wedge between him and the consumer. Another charitable view which is held particularly in the public sector is that the 'Store Purchaser' is a scapegoat for the consumer for any miscarriages in procurement.

Like a religion, purchasing is also wrapped up in myth and shibboleths; its real hard core like the basic principles of a religion is at times barely visible. Nevertheless, purchasing evidently possesses enough strength not only to hold its own but to progress as well. It is rapidly gaining adherents in the commercial field both in the public and the private sectors. Shrewd businessmen, hardboiled bureaucrats and the new technocrats are paying homage by setting up purchase offices. The Federal Government of the United States have incorporated Purchasing organisations and procedures through a statute. The Governments of its constituent states too have either by legislation or by internal regulations established procurement agencies. The National Institute of Government Purchasing of the U.S.A. in its proselytising zeal have converted myriad municipal organisations to the now purchasing faith. With the help of this Institute, these bodies are thinking in terms of cooperative buying, and important cities like the City of Chicago have gone ahead to computerise their entire purchasing process.

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[†]The term 'purchaser' in this article means a centralised stores purchase office or agency

The Government of the United Kingdom created centralised Purchasing Departments almost half a century ago and at present almost all important municipal bodies have specialised purchasing officers. The Government of India have taken the lead in creating a separate Supply Service. The private sector appreciated purchasing more from the managerial angle than as a vehicle of financial control. Some of the commercial organisations have elevated Purchasing Officers to the level of Vice Presidents. The National Association of Purchasing Managers in U.S.A. has an elaborate network all over the country which promotes professional activities in the private sector. Similar institutions are also operating in other countries and their work is gaining momentum.

Purchasing Objectives

As stated above, the philosophy of purchasing is sound. It is based on hard common sense. Expenditure, it is well known, is within the control of an individual or organisation, while income is not. Purchasing provides a discipline of expenditure in procurement. That would explain as to why the Purchasing Departments were originally set up in India and U.S.A. in the Finance or Treasury Departments respectively. Their main objective was to avoid emotional or irrational buying. It provides resistance to high pressure salesmanship and to prevent "hidden persuaders" to operate. For instance, a diesel engine is to be purchased not because the manufacturer has provided a colourful catalogue but on account of its horse power, its performance, competitive prices and the ability of the manufacturer to offer timely delivery and after-sales service. It does not allow a consumer who needs a small truck from buying a luxurious station wagon with which he was fascinated during his visit to the dealer's garage. The purchaser restricts procurement to the 'End-Use'.

The purchaser advises the consumer in formulating his quantitative requirements.

If it is better to buy in bulk once a year rather than go out to the market for small quantities, the purchaser advises the consumer accordingly. If he feels that buying in bulk is not advantageous, he buys small quantities at short intervals. The purchaser indicates the time table of procurement. For instance, if fans are ordered well ahead of the summer season, the off-season rebate could be availed of and timely deliveries secured. If winter garments have to be procured, orders must reach the supplier months ahead of the cold weather rather than at its onset when everyone rushes to the market.

The purchaser renders useful service to the supplier as well. By following a standard method of procurement, he provides confidence in his fair mindedness and ensures that every supplier would get a fair deal. Besides, few hands are needed to deal with few organised purchasers rather than to handle a motley crowd located in different parts of the country. By laying down standard contract terms, the purchaser obviates wasteful effort involved in negotiating a fresh contract every time a deal is struck. To the manufacturing units, the purchaser affords an opportunity to plan their production in advance. It also lays down standard payment terms and specialised paying agencies and thereby saves many man-hours involved in collecting bills from different, and at times somewhat difficult, sources. In short to borrow an expression of the well known political scientist Walter Bagehot, the purchaser is the hyphen which joins and the buckle which fastens the consumer with the supplier, he is the key stone of the commercial arch.

Instrument of State Policy

Purchasing has been used by several governments as an important instrument for achieving national objectives and social policy. The primary objective of the setting up of the Central Purchasing Agency of the Government of India was to give encouragement to indigenous industries. As the situation stands today, there is no

doubt that this objective has been successfully achieved. From a paltry Rs. 1.65 crores in 1922-23, purchases of the Government of India have increased to Rs. 461 crores in 1969-70, which includes purchases for Rs. 430 crores from indigenous sources alone. To promote the development of small scale industries, a directive principle of state policy, the Central Purchasing Agency has been authorised to place orders in certain cases even at higher prices on the small scale units. Existence in India of healthy small scale sectors is undeniably due to the active support of the Government. In the field of hosiery, machine tools, leather goods, textile both woollen and cotton, garments, etc., the small units outbid the large scale units in price as well as delivery of the goods. Similar directives have been given to the Federal Supply Organisation of the United States for reducing unemployment; preference can be given in placing orders on firms located in areas where the percentage of unemployment is high.

The purchaser helps in checking monopolistic tendencies and the unhealthy combination and ring formations among the suppliers. He looks after the interest of the consumer by effecting competitive purchasing, whether by tender system or by negotiations. Inflationary tendencies in the market are thus discouraged. An honest supplier prefers to deal with an organised purchaser as it reduces overhead costs. What is misconstrued as haggling is the negotiation that a purchaser undertakes with the seller. These negotiations are undertaken on the basis of a rational process, i.e., comparison to the price paid in the past, analysis of the cost.

Penny-pinching is a name given by unkind critics to the method of awarding contracts on lowest tender basis. This is not an arithmetical exercise. A purchaser has to determine whether the lowest bidder is a responsible supplier and can meet the obligations that the award of a contract would devolve upon him. It is wrong to believe that the purchaser acts as a bottleneck simply because he issues a

tender and looks before he leaps into a contract. Any rational system would need time to operate. One does not dig a well when a house is on fire, as a Sanskrit proverb says. If the production in a factory has to go all round the year, if railways and road transport services have to be run in all weather or if the armed forces have to be provisioned and maintained at a peak form, there is no reason that the requirements of the consumer cannot be determined well in advance and the purchaser, and through him the industry, informed accordingly. It is neither safe nor wise to buy from one crisis to another. Emergency procurement can only be the exception and not the rule.

Federal Supply Catalogue

Purchasing philosophy has led to the development of new ideas and techniques. A great impetus to standardisation was provided by adoption of the Federal Catalogue by the U S Government Supply Department. It was "designed to establish a single name identification and federal stock number for each item of supply used, supplied, stored, issued by Government Agencies." With the help of this system each Government Organisation can refer to same item of supply exactly in the same terms in dealing with the Industry and with other Government activities. This catalogue system was based on a uniform 11 digits federal stock number. The first two digits indicate the narrow class of items out of broad-head and the last 7 digits are serially applied to each different item as it is catalogued. The same last 7 digits are applied to one and only one supply item. For instance, 5 different "stock numbers" hitherto were given to Fluorescent Tube. This item has now one uniform federal stock number. Previously it was difficult for one agency to understand or service the requirement of another agency within the Government, as supply numbers of one agency were meaningless to another. The adoption of the federal catalogue system has enabled these purchase agencies to use a language, which is understood all over the country.

This cataloguing system also simplifies the earlier catalogues. There were 22,400 items under the heading of "non-portable type-writers". With the adoption of Federal Catalogue System these numbers have been reduced to 80 only. The classification part of stock number, *i.e.*, either first two or last digits, is valuable in producing the gross statistics, which can be used for accounting total cost, procurement of categories of items and developing budgets. An additional benefit accrues in terms of better utilisation of surpluses. For instance pole and tree climbers were declared surplus by a Government Department described as Hooks. These Climbers cost \$ 5.15 per pair, but as no use would be found by any other Government organisation, these were sold to the trade @ 37 cents per pair. The Government recovered only 2½ cents on each dollar original cost. The retailer threw the climbers away, sold the straps and pads and secured a handsome profit. The straps and pads were listed in the store inventory catalogue @ \$ 5.20. In the absence of a common supply language no other organisation could make use of these surpluses. Such situations would not occur under the Federal Catalogue system.

A B C Analysis

In the field of maintenance equipment particularly in respect of automobiles where large number of spare parts are required to be procured, the purchaser has made useful suggestions to the consumer which have not only effected reduction in the inventories but have increased efficiency in maintenance of vehicles. Previously a consumer with large fleet of vehicles used to place his requirement comprising long lists of spare parts ranging from screws to engine assemblies for regular annual procurement. These long lists were inconvenient to handle and distracted the attention of the purchaser from the large value items, which required greater care in procurement. In order to concentrate on the procurement of large value items where substantial economies could be effected, the consumer was asked to apply A B C analysis before placing his requirements on the purchaser. This analysis is being carried out by almost all organisations having large fleet of vehicles. In India, one State Road Transport Organisation carried out similar analysis of the two major makes of spare parts consumed by them. This is described as follows :

Make	Group	No. of Items		Total Annual Consumption	
		Actual	Percentage	Actual (lakhs)	Percentage
Mercedes Benz	A	49	6	Rs. 13.69	76
	B	161	20	Rs. 4.42	19
	C	596	74	Rs. 0.90	5
	Total	806	100	Rs. 18.01	100
Leyland	A	44	7	Rs. 7.87	77
	B	153	23	Rs. 1.72	18
	C	451	70	Rs. 0.54	5
	Total	648	100	Rs. 10.54	100

The 'A' Group of items which are minimum in number and the maximum in value deserve the most concentrated control as they will yield the maximum results for a minimum effort. The 'C' Group of items, on other hand, will not be as responsive and compared to the large number of terms, their value is almost negligible and hence may deserve the least attention. The 'B' Group of items are of medium value and should receive attention to a lesser degree than is required for the 'A' Group of items. Most of the Road Transport Corporation entrust their purchaser with the procurement of 'Group 'A' and Group 'B' items and leave the procurement of Group 'C' items to the actual consuming unit.

Life Cycle Costing

The purchaser has now provided an answer to the oft-quoted charge that equipment is procured only on its initial cost without any regard to the cost of its maintenance. It had been argued that in the purchase of heavy equipments such as earth moving machinery, specialised trucks, etc., the initial cost is only a part of the total investment and it is more than likely that equipments which may seem lower priced at the start are ultimately more costly than equipments which cost a higher initial price. To meet this charge, a new method called 'Life Cycle Costing' or 'Total Cost Evaluation' has been evolved. This would ensure that at the time of procurement, the total, *i.e.*, initial cost of equipment as well as the total life maintenance cost is taken into consideration. On this basis, the evaluation of a bid would be as under :

If only initial cost is taken into consideration, the order would have gone to 'X' Corporation. On the basis of total cost evaluation, however, it should go to 'Z' Corporation as they would be the real economic bidders. Describing the operation of this system, Mr. John F. Ward, Purchasing Agent of the City of Chicago says as follows :

"The best example of this concept is the purchase of new Refuse or Garbage Trucks and their total maintenance by the contractor for six years life. We invited all the industry to bid their chassis and refuse bodies on the basis of the following new canvassing formula which provides :

- (a) Original Cost of Equipment, plus
- (b) Total cost of maintenance for life (6 years), equals
- (c) The Life Cycle Cost.

In determining the low bidder, it is the summation of $a + b = c$

Under (a) Original Cost, the City will pay for the equipment in full on delivery. Under (b), the City pays for the maintenance on a monthly basis for six years life. The City's cost of maintenance originally was \$293.00 per month per unit. When we purchased the first 75 units under this new concept, the price dropped to \$218.00 per month per unit. On the next 100 units, it dropped to \$191.00 per month per unit; and on the next 100 units,

	<i>X Corp.</i>	<i>Y Corp.</i>	<i>Z Corp.</i>
Bid Price	Rs. 42,000	Rs. 60,000	Rs. 47,000
Five-year (Life) Maintenance	129,000	116,000	84,000
Total	171,000	176,000	131,000

it dropped to \$183.69 per month per unit. The total immediate savings was approximately two million dollars.

This new concept has spread to the Pentagon. A responsible Pentagon official had this to say: 'It simply does not make sense to pay \$ 10,000 for an item of equipment if the annual support costs amount to \$50,000 when other equipment

serving the same purpose can be acquired for \$12,000, but with an annual support cost on only \$25,000.' A competition run on the basis of Life Cycle Cost does not, strictly speaking, depart from the role that contracts be awarded to the low bidder, but the 'low price' bidder is not necessarily the low bidder when factors other than more acquisition costs are taken into account."



A
MODEL
MUNICIPAL
WORK
STUDY
CELL
AT
THE
STATE
LEVEL

●
D. D. MALHOTRA*

The need for administrative improvements in urban local bodies has been emphasised from time to time. Whenever there has been a review of the working of urban local bodies, it has invariably been brought out that these bodies suffer from considerable inefficiency, red tape and delays in decision-making. Consequently, the citizens whose day-to-day living has become increasingly dependent on the civic services, are subjected to a great deal of inconvenience and harassment at times in their dealings with the municipal bodies. Surprisingly, this state of affairs has time and again been recognised without any imaginative attempt being made to provide direct positive assistance to the municipal bodies to facilitate municipal administrative improvements. It has been assumed that granted municipal financial adequacy and manning of senior municipal positions through integrated or unified personnel system, improvements in municipal administration will follow as a matter of course. To achieve administrative improvement is no easy task. It is a many-sided problem that needs to be attacked on many fronts. To the extent improvements are possible with the help of modern tools of management, 'work study' can be profitably put to use to tune up municipal administration.

Recently, the Central Council of Local Self Government in its 14th Meeting held on September 7-8, 1972, at New Delhi passed a Resolution recommending the State Governments to consider the establishment of Work Study Cells for rendering assistance to municipal bodies to improve their administrative performances.¹ Since the smaller municipal bodies who are in a majority, will not be in a position to establish and adequately utilise a Work Study Cell of their own, it was suggested that the Cell should be located within the State Municipal Directorate. Municipal Corporations and larger municipal authorities may be asked to set up their own work study cells.

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¹ Resolution No. 7.

Assuming that the council's 14th Meeting has sufficiently generated an interest in a positive approach towards seeking administrative improvements in municipal bodies and the State Governments will be considering the implementation of the Resolution, a broad outline of a model Work Study Cell within a State Municipal Directorate has been sought to be drawn up in this article. There are States where the Municipal Directorate does not exist. In such cases, the Cell may be located within the Local Self-Government Department itself. It should not be located within an Inspectorate of Urban Local Bodies wherever such an agency exists, as its approach to problems will have to be vastly different from the Inspectorate. The inspection reports of the inspectors would, of course, form one of the solid means to identify the problem areas requiring attention of the Work Study Cell.

Role and Functions

The establishment of a Work Study Cell in the Directorate of Municipal Administration at the State level requires careful consideration of its role and functions and its staffing pattern, particularly in the context of the nature of the clientele it would be called upon to serve. Municipal administration has necessarily to have intimate contacts with State administration, yet it has its separate identity and it represents a separate level of government. The role of the Work Study Cell should, therefore, have to be advisory leaving the ultimate choice with the local body either to accept or reject some or all of its recommendations. The effectiveness of the Cell will largely depend upon the extent to which it will be able to command the trust and confidence of the local bodies, the weight of the recommendations made to them and its place within the Directorate. Keeping in view the distinct character of municipal government, the functions assigned to Work Study Cell should not include those such as periodic review and inspection of the departments, sections and field units

generally entrusted to the O & M Cell in the State Secretariat. Some of the functions, which may be assigned to the Cell are as follows :

- (i) To formulate broad administrative policy and guidelines in relation to organisation, methods and operating procedures in municipal administration;
- (ii) To familiarise the municipal authorities with the nature and significance of Work Study and to render assistance to those municipal bodies which can afford and are willing to establish their own Work Study Cell;
- (iii) To demonstrate the effective use of modern administrative techniques in municipal administration such as Operation Research, PERT/CPM, Programme Budgeting, Cost-Benefit Analysis, etc., and to prepare guidelines and manuals of techniques, equipments and facilities;
- (iv) To develop models of work simplification, standardisation and norms, where possible, and to evolve job evaluation, standards of performance and staff requirements etc.;
- (v) On request from a municipal body, to undertake Work Study assignments on methods, procedures of work, records management, filing system, space utilisation, design and use of forms, and utilisation of men and material with a view to recommending to the local body the measures to improve efficiency and effectiveness of municipal administration;
- (vi) To develop and coordinate the training programmes in administrative improvements for the benefit of municipal officers and councillors; and

- (vii) To function as a clearing house of information regarding improvements in methods and procedures, records and filing systems, etc.

Composition and Staffing Pattern

The exact composition of the Cell in the State Municipal Directorate will eventually depend upon the size of the clientele and the scale of demand for its services. But a beginning can be made by establishing a compact unit under the charge of a qualified and experienced Work Study Officer supported by two or three Administrative Analysts. It may again be emphasised that the effectiveness of the Work Study Cell will considerably depend upon its location within the Directorate and the level of staff manning it. The Work Study Cell should be directly under the charge of the Director of Municipal Administration. If the Work Study Officer belongs to a quite junior category and pay scale, he might find it difficult to get ready cooperation from the municipal bodies. It needs hardly any emphasis that to win the confidence of the municipal authorities is more than half the battle. Once relationship of trust and confidence will be firmly established, the work study techniques will find easy acceptance in the municipal situation. Also for his subordinate staff engaged on Work Study, such as Administrative Analysts, the nomenclature of designations should not be similar to those usually adopted in the State administration such as superintendent, senior or junior assistant, U.D.C., etc. These designations reflect the nature of job and a particularly known approach whereas the job of Administrative Analysts is going to be of a specialised nature demanding a different orientation. These facts have not always

been appreciated by the State Governments in the establishment of Work Study Cells for improving State administration in their Secretariats, and the general ineffectiveness of these Cells is well known. A board outline of a Work Study Cell in the State Directorate of Municipal Administration is given below. It may be adopted by the State Governments with necessary modification while keeping in view the above basic considerations for its effectiveness.

1. *Work Study Officer*

(A) *Grade*² : 400-40-700-50-950

(B) *Educational Qualifications and Experience* :

- (i) Should possess a Master's degree in any of the social sciences preferably in Public Administration or a Bachelor degree in Engineering with a diploma in Local Self Government;
 - (ii) should have qualified in a practitioner course on Work Study O & M;
 - (iii) should possess a practical experience of at least 5 years in the field of Work Study O & M in an administrative organisation
- or*
- should possess a minimum experience of 8 years at a senior level in municipal administration

2. *Administrative Analysts*³ (Two)

(A) *Grade* Rs. 250-25-375-35-550

² This is just for illustration. But the point here is that the pay scale should be commensurate with the qualifications and experience of the incumbent and should not be lower than those who are second (and in no case the third) in command within the Directorate.

³ The number of staff in each category is notional. It is only to suggest that the size of the Cell should be small to begin with. The Cell may have to be expanded later to meet increasing demand for its services.

(B) *Educational Qualifications and Experience*

- (i) should possess a Master's degree in any of the social sciences, but preferably in public administration;

or

should possess a Bachelor's degree with Economics, Statistics and Political Science with 5 years minimum experience of working in an administrative organisation preferably in municipal administration.

- (ii) should have attended a Work Study/O & M training course given by a recognised institution;

- (iii) L.D.Cs.—two

- (vi) Peon—one

} Grades and educational qualifications etc. as normally prescribed in the State.

Staffing Policy

The recruitment policy for the core staff of the proposed Work Study Cell viz., Work Study Officer and the Administrative Analysts, needs to be carefully considered. Most State Governments have their Works Study/O & M sections which work on problems of State administration only. If it is accepted that the personnel to be engaged in work study should have requisite technical qualifications, there can be a common pool of work study personnel recruited from the open market for employment in the State Work Study Cell as well as the Municipal Work Study Cell. Such a common pool will create more opportunities for

promotion, staff development and mobility. Another alternative would be to staff the Municipal Work Study Cell differently from the State Cell. Since knowledge of municipal administration will be an additional advantage, officers from the municipal authorities who possess necessary technical qualifications in Work Study may be taken on deputation in the Municipal Work Study Cell. These officials can stay with the Cell up to a prescribed period, say five years, after which they will return to their respective municipal bodies or services. This system will have the advantage of drawing upon the expertise and experience in municipal administration from a variety of departments and services of the municipal authorities and of providing for continuous inflow of intimate knowledge of operating conditions of municipal administration. Also when these officials will be returning to municipal administration, they will help to spread the work study outlook and habit of mind.

About the availability of qualified persons amongst the municipal officials, it may be pointed out that facilities for training in Work Study/O & M techniques adequately exist. The Centre for Training and Research in Municipal Administration of the Indian Institute of Public Administration, New Delhi, conducts a regular course in Work Study for municipal personnel. The number of training courses in a year on techniques of administrative improvements such as Work Study, or CPM/PERT, Performance Budgeting etc. can be increased to meet the demand for trained municipal personnel in work study. The Institute of Secretariat Training and Management under the Department of Personnel, Government of India, also conducts Advanced Courses on Work Study. Once a Work Study Cell is established in the State Directorate, it can run appreciation Courses in Work Study for the benefit of the municipal employees within State. As the awareness of the need for administrative improvement

ment spreads, more and more municipal personnel are expected to avail of the training facilities for acquiring essential

skills and they will look for appropriate opportunities for making the best use of their skill in municipal administration.



THE ✓
HOUSING
AND
URBAN
DEVELOPMENT
CORPORATION :
A
NEW
DIMENSION
IN
HOUSING

●
MULKH RAJ*

The Housing and Urban Development Corporation, better known as HUDCO, started functioning from the middle of 1971 to promote housing and urban development programmes in the country. The creation of such a Central Organisation had become necessary in view of the acute shortage of housing in the country. It has been estimated by the N.B.O. that the Fifth Plan would start with the urban housing shortage backlog of 6.2 million units. Great efforts will, therefore, have to be made in the coming years if this shortage is to be made good. HUDCO is expected to partially fulfil this long-felt need and would work as a specialised agency to promote housing on a scientific basis especially for the low income groups. It has set before itself the following tasks :

- (i) To serve as the apex Central Agency for mobilisation of financial resources for housing and urban development programmes;
- (ii) To use these funds for schemes which provide the largest number of better quality homes for sale to the public on terms as far as possible commensurate with their paying capacity;
- (iii) To augment the supplies of building materials and to encourage innovations in the methods of construction so as to save costs;
- (iv) To serve as a Brain Trust, collecting and disseminating information and ideas on improved designs, construction methods and other innovations for use by the public resulting into better/quicker construction; and
- (v) To contribute to increased urban services and facilities and improved general environment in the urban areas.

During the last 19 months HUDCO has sanctioned upto-now loans to the extent of Rs. 56 crores for 52 schemes in

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33 different cities and 16 states of India. These loan sanctions would make available nearly 45,000 flats/houses and over 20,000 plots of land for different categories of urban households. The extent of HUDCO's contribution in the field of housing and city development could be well imagined that upto 1975 even on the basis of existing sanctions every 6 hours a HUDCO financed house or a plot would come up. Out of every 300 urban families or so one urban family would have a HUDCO financed house or a plot in the next half a decade or so. Majority of these flats are meant for economically weaker sections and low income group households. The lowest priced house

continues to be in Surat at Rs. 5,000 on outright sale basis.

The details about the state-wise operations are given below in Table I :

The contribution of HUDCO in the field of housing is not simply quantitative in nature. Schemes comprising of more than 25 per cent of housing reserved for the economically weaker sections is financed at a subsidised rate of interest of 6½ per cent. Three-fifths of the loans sanctioned by HUDCO have been advanced on this basis of subsidised rate of interest. Further nearly ¾th of the total cost of all schemes is concentrated on housing for

TABLE I

	<i>Total Loan Sanctioned (Rs. in lakhs)</i>	<i>Total Amount Released (Rs. in lakhs)</i>
Andhra Pradesh	122.00	11.00
Bihar	83.20	0.00
Delhi	403.00	280.00
Gujarat	734.50	278.00
Haryana	178.00	39.00
Kerala	75.00	15.25
Madhya Pradesh	297.67	14.72
Maharashtra	695.00	203.00
Mysore	17.80	0.00
Punjab	100.00	0.00
Rajasthan	333.00	32.00
Uttar Pradesh	878.60	115.00
Tamil Nadu	877.00	164.00
West Bengal	410.21	0.00
	5,204.97	1,151.97

economically weaker sections and low income groups of people, in other words those whose incomes are below Rs. 600 p.m. The cost of the average flat/house to be built under these schemes varies between Rs. 5,000 and 40,000. Monthly instalment to secure ownership of these houses is as

low as Rs. 36 for economically weaker section and Rs. 100 for low income group households. The attempt all along will be bring housing ownership within the reach of an average urban household. The details of prices changed from prospective householders are given in Table II.

TABLE II
Minimum and Maximum Unit Price of a House/Flat, Plot in
HUDCO Financed Schemes

(Figures in Rupees)

<i>Household category</i>		<i>Plots</i>		<i>Flats/houses/shops</i>	
		<i>cost price</i>	<i>sale price</i>	<i>cost price</i>	<i>sale price</i>
SCS	Min.	No plots developed		7,557	8,500
	Max.			8,540	8,500
EWS	Min.	1,025	791	4,824	5,000
	Max.	2,840	3,124	14,484	13,566
LIG	Min.	1,670	1,255	9,924	10,000
	Max.	7,745	8,480	36,506	40,147
MIG	Min.	3,035	3,627	22,968	25,000
	Max.	10,927	14,500	67,851	74,636
HIG	Min.	8,064	9,360	98,249	108,074
	Max.	20,500	28,000	98,249	108,074
SHOPS	Min.	3,000	6,000	3,737	6,120
	Max.	35,939	46,800	15,446	20,000

NOTES :

SCS — Slum Clearance Scheme

EWS — Economically Weaker Sections

LIG — Low-income Groups

MIG — Middle-income Groups

HIG — High-income Groups

In addition, HUDCO is taking steps to increase the production of building materials by financing brick making units in Gujarat, Wood Working Unit in Tamil Nadu and a semi-mechanised brick making plant in Madras. All the latest building materials/processes which are ready for commercial exploitation are scrutinised by HUDCO's high powered Research and Advisory Committee. The information thus collected is circulated to the concerned parties. The first issue of HUDCO's Bulletin is already out which gives an idea about our activities in this regard. Efforts are also made where possible to adopt the use of locally available materials and other substitutes. HUDCO is sponsoring the preparation of a feasibility study report on fly-ash bricks.

The Corporation is prepared to consider any well drawn up scheme from well established agencies—public or private concerning housing or urban development subject to the following guidelines, provided the loan assistance otherwise conforms to the usual terms and rules of HUDCO:

- (a) The main benefit of HUDCO's finance should fall on the low income groups and actual users;
- (b) The scheme adds to the overall housing stock in urban areas and/or addition/improvement in urban services in major cities; and
- (c) The scheme is technically sound and financially viable.

The agencies which have availed of HUDCO's financing facilities include Housing Boards, Municipal Corporations, Improvement Trusts and Development Authorities, but the following decisions have now been taken to widen the scope of the Corporation's activities :

- (i) Financing of composite schemes inclusive of commercial development which either provide a subsidy on Economically Weaker Sections/Lower-income group housing or

permit longer repayment periods for low-income housing.

- (ii) Financing of agencies besides Housing Boards, Municipal Corporations etc., such as Public Sector Corporations: Apex-Cooperatives, Cooperative Housing Societies, Universities, etc.
- (iii) Financing of schemes other than housing, such as specific programmes of urban development or improvement (apart from land development only), addition to urban services in major cities, etc.

HUDCO is well equipped with managerial skill and expertise from various disciplines pertaining to housing and urban development work. Any possible assistance that may be required in drawing up plans to evolve schemes which satisfy local requirements is readily given.

The principles followed by HUDCO in granting loans are as follows :

- (a) All required expenditure is met (up to 100 per cent where necessary and possible) so that the project is not held up for want of funds. Loans are released in instalments related to progress of work so that the cost of interest on the scheme is kept to the minimum.
- (b) Loans are repayable through receipts and realisations as and when they accrue out of the financed projects through sale price, hire purchase instalments or rentals of houses and apartment which are constructed or land which is developed and plotted. Longer repayments are permitted for schemes meant for the economically weaker sections.
- (c) The cost aspect is carefully scrutinised and the physical targets of a scheme once approved are not allowed to be reduced.

- (d) Although prospective borrowers are encouraged to draw up composite schemes with a view to generating quicker repayments, due emphasis is given to provision of maximum possible housing for the low income groups. Schemes representing expenditure of more than 25 per cent on EWS housing is financed at a lower rate of interest of 6½ per cent as against 7½ per cent on other schemes. The security against 6½ per cent loans is State Government guarantee; 7½ per cent loans are by mortgage of properties valued covered at 133-1/3 per cent of the loan amount.
- (e) The technical aspects of the layout and designs are carefully gone into to ensure well planned and aesthetic development covering all functional requirements.
- (f) Preference is given to such schemes which incorporate use of local materials, substitutes for scarce materials such as cement, steel and latest developments/innovations in construction methods.

Although the main function of the Corporation is to act as a Financing institu-

tion, it was decided to take up Manicktala Project in Calcutta for direct execution by the Corporation. For this purpose 4 acres of developed land has been acquired at a cost of approximately Rs. 18 lakhs from the Calcutta Improvement Trust. The construction work has already commenced. This Scheme will provide 252 flats for sale on hire-purchase terms to low and middle-income groups. The flats will be of three types with plinth area of 550, 575 and 780 sq. ft. at a cost ranging between Rs. 30,000 to Rs. 45,000.

Despite the constraints of materials and infra-structure such as power, water, transport, etc., and the organisational machinery which would be required to implement a growing programme of house building, it is realistically estimated that by 1977-78, HUDCO could assist construction of 325 lakhs houses through loans of Rs. 325 crores. The total expenditure on this programme would amount to Rs. 550 crores, the rest being met by public deposits and profits on high income housing and commercial development forming a part of the composite schemes, HUDCO is also budgeting for an investment of Rs. 15 crores into building material industries with a view to augmenting supply of the requisite materials.

RECENT JUDICIAL DECISIONS

Municipal Tax on Railway Property

A Constitution Bench of the Supreme Court presided over by the Chief Justice Mr. S. M. Sikri, by its order dated February 22, 1973 has held that the Sahibganj Municipality of Bihar could not levy taxes on certain buildings owned by the Eastern Railway, unless the Parliament enacted a law to that effect. The Court set aside the order of the Patna High Court which had held that the railway property was taxable by the municipality. Mr. Justice A. N. Ray speaking for the Court observed that the High Court had overlooked the effect of Section 3 of the Railway (Local Authorities Taxation) Act, 1941 which provided that any property vested with the Central Government would be taxable by a local authority only when the Central Government issued a notification to that effect under the section. No such notification was issued in the instant case.

Regarding the provision under the Government of India Act, 1935 which had laid down that until any federal law otherwise provided, any property vested in "His Majesty" was liable to taxation by local authorities, the Court held that the Buildings had not vested in "His Majesty" before the commencement of the Act. It was further held that Article 285 of the Constitution which spoke of the liability of railway property to pay taxes if such property was, immediately before the commencement of the Constitution, liable to pay any tax to any authority within the State, was not applicable in this case, because there had been no such liability in the case of the buildings in question.

Licence Fee on Radio Dealers

A division bench of the Mysore High Court has recently held that the levy of

licence fees on radio dealers, under a notification issued by the Mangalore City Municipal Council was illegal and *ultra vires* of the Mysore Municipalities Act. The Court ordered the Commissioner of the Municipality to forebear from enforcing the levy against the petitioner. By the impugned notification issued under Section 256, licence fee on radio dealers was levied at double the monthly rental of the premises used for the business or assessment of property tax whichever was higher, subject to a maximum of Rs. 500. The petitioner contended that it was a tax in disguise on place of business and the procedure for the imposition of tax as provided under Chapter VI not having been complied with, the levy was illegal and *ultra vires*. The Court, up-holding the plea of the petitioner, pointed out that under the scheme of the Act there was a clear distinction between taxes properly so called and licence fees. The power to levy licence fee conferred under Section 256(4) was referable to the power of regulation of trade, and under the purported exercise of that power, the municipality was not competent to impose fees for purposes of raising revenue, the Court held. The fee levied admittedly had no correlation to the cost of issuing licences and the cost of inspection and supervision of the place of business sought to be regulated. The levy, therefore, was a tax in guise on shops and other places of business falling under Section 94(1)(vi) of the Act. Since the procedural requirement, under Sections 95 to 97 were not complied with, the levy was held to be illegal and *ultra vires*.

Municipal Elections

A division bench of the Patna High Court has admitted a writ petition (January 31, 1973) challenging the validity of the municipal elections of Chakradharpur town in Singhbhum District. It was

contended by the petitioner that elections to the municipality were held in contravention of Rule 4 and 6 of the Municipal Election and Election Petition Rules, 1963. The elections to the Municipality were to be held in December, 1971 and the electoral roll of Bihar Assembly Constituency was adopted for the purpose. But due to national emergency the elections were postponed and it was held only after a lapse of one full year. It was argued by the petitioner that the elections on the basis of the earlier electoral roll was illegal. Further, the nomination papers for contesting the elections were invited a year before and the same nomination papers were allowed in the elections. The petitioner further pointed out that it was not ascertained as to whether the contesting candidates had paid off their due taxes to the municipality as provided under the law.

The Court admitted the writ petition and directed the respondents and the State of Bihar to show cause as to why the elections should not be set aside.

Leave Preparatory to Retirement

Accepting a writ petition filed by a former liaison officer of the Municipal Corporation of Delhi, a division bench of the Delhi High Court held that the Mayor of the Corporation had no authority in law to determine the amount due to the petitioner on revision of his pay and grade, and directed the Corporation to determine his claim according to law.

The petitioner had also brought to the notice of the Court that the Corporation had not taken any decision on his application for fourteen months' leave preparatory to retirement. Regarding this point, the court observed: "A government servant has a valuable right to apply for leave preparatory to retirement and he is thus enable to plan his retirement after a life-time of loyal service; he is not to be left in such uncertainty so that on every day he attends office during that period,

he may not be sure as to how long he will be asked to attend office and to what extent he will refused leave, thus setting at naught all the plans he may have for his retirement."

The Court drew the attention of officials of statutory bodies dealing with their employees to the need for dealing with them fairly not only with regard to their pay and grade but also leave and evaluation of money equivalent of leave entitlement. "They should adhere strictly to the rules governing the subject; there is no place here for any caprice or whim or arbitrariness", the Court said.

Appointment of CIDCO

A division bench of the Bombay High Court has admitted (January 12, 1973) two writ petitions challenging the provisions of the Maharashtra Regional and Town Planning Act, particularly in respect of the appointment of the City and Industrial Development Corporation of Maharashtra (CIDCO) for setting up "New Bombay". According to the petitioners, the provisions of the Act appointing CIDCO as an agent of the State government and New Town Development Authority to carry out the developmental work of the New Bombay city and allocation of funds to CIDCO out of the Consolidated fund of the State were *ultra vires* the provisions of the Constitution.

Disqualification of Councillor

The High Court of Bombay by a ruling given on February 14, 1973 has upheld the constitutional validity of the Bombay Municipal Corporation (Second Amendment) Act, 1972. The Bombay Municipal Corporation Act was amended on January 12, 1973 by introducing an amendment to Section 16 with retrospective effect from April 1968. The amended Act, disqualified a councillor from continuing to hold office with retrospective effect from April, 1968, if he had *inter alia* directly or indirectly any interest in any lease including any leave and licence (but

excluding any official residence provided by the Corporation), sale or purchase of land or any agreement for the same, by or on behalf of the Corporation. The petitioner who was a tenant of one of the municipal tenements was elected municipal councillor for a term of five years from April, 1968. He challenged the vires of the amendment on the ground that it violated the provisions contained in Articles 20(1), 14 and 19(1)(f) and (g) of the Constitution.

The petitioner argued that Section 474 of the Act prescribed punishment for a person knowingly acquiring interest in municipal property and the amended provisions of Section 16 rendered a sitting councillor liable to punishment for an act of which he was innocent at the time he had committed or done it. This contention was rejected by the Court which held that Section 2 of the amended Act merely created a disqualification for being elected or continuing as councillor and was not an *ex post facto* law creating an offence retrospectively. What could be punished under Section 474 of the Act was acquisition after January 12, 1973 of share or interest which was not permissible under Section 16 of the Act. The retrospective effect given to the impugned provision by the deeming provision or legal fiction created thereby was confined only to the purpose for which the said provision was created, namely, the creation of disqualification. It could not be extended to creating an *ex post facto* offence. It was therefore held that Section 2 of the amended Act did not contravene Article (20)(1) of the Constitution.

The Court rejected the argument of the petitioner that the impugned provision was discriminatory and as such was violative of Article 14 of the Constitution.

Referring to the contention of the petitioner that the provision violated Article 19, the Court pointed out that a person had no fundamental right to stand as a candidate. The only fundamental right which was guaranteed to him

was the right to acquire and hold property and to practise any profession. Those rights were not effected in prescribing a disqualification for being elected as a councillor, the Court held.

It was also observed by the Court that the intention of the legislature and the object sought to be achieved by the Amendment Act was that those having an interest in leases or agreements or contracts with the municipal corporation pertaining immovable property should be disqualified for being elected as councillors so that there was no conflict between duty and interest.

Dismissal—Principles of National Justice

After an 18-year legal battle, a hospital midwife working under the Sirsi Municipality obtained a verdict of the Supreme Court on January 18, 1973 that the order of dismissal passed against her by the Municipality on March 23, 1955, was invalid. The Court was dismissing the appeal filed by the Municipality against the findings of the Bombay High Court in favour of the midwife. The Municipality had taken action against the midwife following the death of a woman in the hospital where she was working. The husband of the deceased had complained that the death was due to the negligence of the hospital staff. The Council issued a notice to the midwife asking her to appear before it and give her explanation as it seemed that the death was due to her negligence. The midwife refused to appear before the Council, making it clear that she would give her replies in writing if questions were put to her in writing. The Council then passed a resolution and dismissed her from service. The Supreme Court upheld the view of the High Court that the Council was wrong in dismissing the midwife by a resolution, without giving her an opportunity to defend herself.

Transfer Order

A division bench of the Mysore High Court declined to interfere with an order

of the Mysore Housing Board transferring the Superintendent from Bangalore to Hubli. The validity of the order was challenged by the Superintendent mainly on the ground of malafide that it was made at the instance of the minister for municipal administration. The petitioner alleged that some of the members of the Mysore Housing Board Employees' Union of which he was the President and now Vice-President, had complained regarding the mis-behaviour of the then Housing Commissioner and in connection with that grievance had led a delegation to the minister. The minister refused to speak to him and subsequently the order of transfer was made. He further pointed out that no superintendent of the board had ever been transferred outside Bangalore. He, therefore, contended that taking all those factors into consideration, the order was malafide. The Court, however, refused to interfere with the order.

*Resignation by Councillors**

A division bench of the Delhi High Court, by its ruling dated March 2, 1973 has held that one Mr. Bhagwan Das Verma, a Municipal Councillor belonging to the Congress had resigned his seat vide his resignation letter of November 16, 1972 from the Delhi Municipal Corporation. Accordingly, a writ of *quo warranto* declaring that his seat had become vacant was issued by the Court. The resignation letter of another Councillor, Mr. Om Prakash Jain, Jan Sangh, was dated December 16, 1972 and was withdrawn on December 15, 1972 and as such Mr. Jain was deemed not to have

resigned and his seat was held not to have become vacant.

The Councillors who were members of the Standing Committee of the Corporation had tendered their resignations from the seats held by them as councillors of the Corporation, during a heated discussion regarding the municipal sweepers' strike in a meeting of the Standing Committee on November 16, 1972. Both the Councillors wrote out different letters purporting to be their resignations and handed them over to the Deputy Commissioner who was deputising on behalf of the Commissioner. The Commissioner's view was that under the Delhi Municipal Corporation Act, letters of resignation had to be delivered to him personally by the Councillors. Since this was not done, no effect could be given to the letters of resignation and the seats held by them could not be declared to be vacant. This decision of the Commissioner was challenged by the petitioner.

Mr. Jain contended that he had post-dated his resignation letter giving its date as December 16, 1972 and had withdrawn the same on December 15, by a formal letter.

The Court held that under Section 33(1)(b) of the Corporation Act, resignation and vacation of a seat would be effective simultaneously. But the resignation which was to be effected from a future date necessarily implied that if that date had not been reached it would be open to the Councillor to withdraw the same.

*The admission of the writ was reported in the *Nagarlok*, October-December, 1972.

URBAN NEWS

UNION GOVERNMENT

The Union Ministry of Health has suggested a separate sector on "Urban Development" in the Fifth Five Year Plan. This would include schemes relating to water supply, sewerage and drainage, garbage disposal, and environmental hygiene, slum improvement, housing, roads, bridges traffic and transport, and recreational facilities for integrated urban development.

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The Union Government is likely to discuss the control of Air Pollution Bill in next session of the Parliament. The Bill includes all sources of pollution such as industries, transport, railways, automobiles, diesel vehicles as well as domestic fuel and confers extensive powers on the board to be constituted under the Act.

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The third meeting of the Central Council of Local Self Government and the Executive Committee of the All-India Council of Mayors was held at Vigyan Bhawan in New Delhi on the 8th September, 1972. Shri Uma Shanker Dikshit, Union Minister for Health and Family Planning and Chairman, Central Council of Local Self Government presided over the meeting. The meeting discussed the important items such as earmarking of funds for metropolitan areas, powers for the removal of encroachments, preparation of master plans and city development programmes, removal of rent control restrictions on the property tax, abolition of octroi, State Municipal Finance Commission, sur-charge on electricity, urban land tax and mopping up of unearned income, implementation of the recommendations of Zakaria Committee Report, prevention and control of pollution, environmental improvement of

slums and road safety and the role of municipal authorities. Some of the important resolutions passed in the meeting are as follows :

1. The meeting resolved that the Planning Commission be requested to set up a study group to go into various aspects of Rent Control Act and their effect on the resources of the local bodies.
2. The meeting endorsed the recommendations of the Zakaria Committee and the Rural Urban Relationship Committee to the problem of abolition of octroi.
3. Regarding the constitution of State Municipal Finance Commission, the meeting held the view that the suggestion was of vital importance to the urban local bodies and the State Governments. The joint meeting decided that the Chairman might take up the matter with the State Chief Ministers for getting it implemented as early as possible.
4. The joint meeting decided that in case majority of the State Governments are not agreeable to the setting up of Finance Commission, a proposal be prepared for the amendment of the constitution for allocating specific fields of taxation in favour of local government.
5. The meeting recommended that at a State level there should be a regular dialogue between the State Government and the municipal corporations to sort out difficulties and bottlenecks in solving the problems of the corporations.

* * * *

The All-India Council of Mayors met at Gwalior on November 11-13, 1972.

Two important resolutions adopted by the Conference related to : (i) sharing with local bodies what premium charged by the government for a change in land use ; (ii) a cent per cent grant to corporations for providing civic amenities to their rural areas. A third resolution related to the determination of the rateable value of properties owned and vested in the Union State Governments. This issue was referred to a committee for a fuller discussion.

* * * *

The All India Council of Mayors resolved to fight against the "facile manner" in which the governments tended to supersede major municipal corporations. As Dr. Thakurbhai Patel said in his presidential speech, there was no alternative to fighting governments to democratic set-up in the country. The Mayors expressed their unhappiness about postponing of elections and appointment of administrators or special officers. The Council regretted the failure of the State Governments to implement the recommendations of various committees which had been set up from time to time to examine specific problems of municipal administration.

The Executive Committee of the All India Council of Mayors is scheduled to meet at Hoobly (Mysore) to consider the suggestions of different municipal corporations for the adoption of a uniform municipal corporation throughout the country.

* * * *

The Union Government is contemplating to launch a massive house construction drive for providing residential accommodation to-middle, low-income and economically weaker sections of the society shortly. The scheme will cost Rs. 325 crores. In this connection, the Housing and Urban Development Corporation (HUDCO) has drawn up a Five Year Plan to finance over 325,000 houses all over the country.

* * * *

It has been suggested by a working group in the Planning Commission that the Department of Tourism of Uttar Pradesh should prepare master plans and feasibility reports for development of tourism in the hill areas of the State for inclusion in the Fifth Plan. The Group felt that plans should be prepared for tourist complexes and tourist places keeping in view the long-term development perspective of the areas.

* * * *

While inaugurating a Seminar on Environmental Cleanliness, Shri C. Subramaniam, Union Minister for Science and Technology, said that only seven per cent of the total urban population is covered by drainage facilities and thirty per cent of the population still live in acute water scarcity area. He estimated that Rs. 900 crores would be required to provide drainage and sanitary facilities to urban population.

* * * *

The National Building Organization, Ministry of Works and Housing, organized a three-day national conference on tall buildings recently. The conference recommended to develop new cities with a population of five lakhs each rather than cluttering the existing big cities. The conference also suggested economy in construction of buildings for the use of low-income group people rather than erection of sky-scrappers whose rentals are high. It was also suggested to undertake studies towards reducing the cost of higher structures through technological advancement in design and erection.

* * * *

The Housing and Urban Development Corporation is contemplating to widen the scope of its lending operations to finance housing schemes intended for small and medium-income groups. It will also finance housing plans for the staff of public sector corporations, other statutory

autonomous bodies and universities and entertain proposals from selected co-operative societies.

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A sum of Rs. 48 lakhs has been sanctioned by the Housing and Urban Development Corporation for the Middle-income group schemes of Baroda Municipal Corporation. It has been planned to construct 184 houses and 48 shops under the proposed scheme.

* * * *

The Union Ministry of Works and Housing is understood to have decided to extend the slum improvement scheme to all towns in the country having a population of five lakhs or more.

STATE GOVERNMENTS

Andhra Pradesh

The State Government has constituted a sub-committee to review the drinking water position in the twin cities of Hyderabad and Secunderabad and suggest methods to improve drinking water facilities.

* * * *

The State Government is expected to issue an ordinance to facilitate the elections to the Hyderabad Municipal Corporation which was superseded in 1970. According to the Ordinance, all M.L.A.'s and M.L.C.'s of their respective constituencies are to become *ex officio* members of the Corporation as in the case of other Municipalities and can take part in the meetings without right to vote. There would be 12 reserved seats for scheduled castes as in the past. The seats from Secunderabad division would be 20 to the Corporation instead of 16.

Bihar

The State Government is actively considering proposal for elective municipal corporations for Jamshedpur and Ranchi.

Gujarat

A project has been planned by the State Government under which a 57 km. long open channel will be constructed to carry the combined industrial waste to the Gulf of Cambay. It will solve the pollution problem of Malis, Mini, and Vishwamitri Rivers. The project will cost Rs. 2 crores and will be borne by the industries concerned.

* * * *

The State Government is drawing up a five year metropolitan development plan for Ahmedabad. The estimated cost of the plan is Rs. 15 crores. The plan envisages widening of existing roads, construction of new roads, new bridges, flyovers and underground tunnels, traffic islands with a circular garden and fountain in order to give an aesthetic touch to the city.

Haryana

The State Government has finalized the proposed enlargement plan for Sonapat to accommodate 2.4 lakhs population by 1981. The city will be divided into 17 sectors. The plan provides for roads, drinking water, electricity, underground sewerage, modern shopping centres, schools colleges, parks and cultural centres.

* * * *

The State Government has constituted an Urban Development Board under the chairmanship of the Speaker of the State Assembly. The Board is aimed to suggest measures for systematic and planned development of urban areas including provision of basic amenities and environmental improvement within the existing resources available and those which could be generated. The Board will have 11 members besides the Chairman.

* * * *

A body consisting of officials and non-officials has been constituted by the State Government to prepare a Master Plan for Hissar Town. The Divisional Town Planner, Fissar, is the Secretary of the Committee.

Kerala

The Local Administration Minister disclosed that all towns in Kerala will be assured of drinking water supply by the end of March 1973.

* * * *

The Government has implemented protected water supply schemes in all the 25 municipalities and three Municipal Corporations in the State with the cooperation of the Life Insurance Corporation.

Jammu & Kashmir

The State Government is planning to implement 68 drinking water supply schemes in the different parts of Kashmir Valley. The estimated expenditure on these schemes will be Rs. 4.30 crores.

Madhya Pradesh

The State Government has promulgated Madhya Pradesh Housing Board Ordinance on 21st November, 1972. The 17 Chapter Ordinance provides greater power to the Board for efficient execution of its programmes. The Board will have nine members including the Chairman. The Housing Commissioner will be its Member-Secretary.

* * * *

The State Government has decided to extend financial assistance to all those local bodies which would undertake construction of civic amenities such as roads, parks and street lighting in areas where backward people reside.

Maharashtra

The State Legislature has recently passed a Bill seeking to set up a board to improve slums in the State. The Bill provides for setting up of panchayats in slum areas for maintenance and repairs. These panchayats have been empowered to impose cess and collect service charges.

* * * *

The State Government has appointed a Municipal Finance Commission recently. The Commission will look into the problems of allocating adequate financial resources to Local Self-Governing bodies in the State.

* * * *

The CIDCO is ready to go ahead with the development of smaller towns in the State in addition to developing 'New Bombay', across the harbour, with the passing of Maharashtra Regional Town Planning (Amendment) Act, 1972.

Rajasthan

The Government of Rajasthan has issued an Ordinance recently to validate certain acquisitions made for urbanisation purposes. The ordinance also prescribes a much shorter and quicker procedures for land acquisition for improvement.

Tamil Nadu

A Committee set up by the State Government has suggested a statutory industrial and environmental health and water pollution control board. It has also recommended that laws can be made on the basis of well-defined limits for various kinds of fumes gases and other pollutants. In order to have scientific information about atmospheric pollution, the Committee suggested that improved laboratory facilities should be provided at King Institute, Guindy and epidemiological survey should be done in different

parts of Madras about the effects of pollutants on the health of the people.

* * * *

The State Government is contemplating to take over all the bus routes including those of town bus services. A separate legislation has been proposed to be introduced in the State Legislature shortly.

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The State Government has passed the Tamil Nadu District Municipalities (Amendment) Bill, the Madras City Municipal Corporation (Amendment) Bill and the Mettur Township, Courtallam Township and Bhavanisagar Township (Amendment) Bill. The District Municipalities Act seeks to empower municipalities to amend service rules to bring at par with those of Government servants, if so desired. The Madras City Municipal Corporation and the Madurai Municipal Corporation (Amendment) Bill proposes to increase the strength of Madras Corporation by 150, increase representation of Scheduled Castes and Scheduled Tribes and women in the Corporation, and also increase quorum from 33 to 50. The Madurai Corporation now enjoys powers to write off any tax fee or amount due to Corporation as considered irrecoverable. The Township (Amendment) Bill provides for representation of MLA's and MP's in the different committees.

* * * *

The State Government has allotted Rs. 16 lakhs for the beautification of Madras City. The first phase of the programme has already been taken up costing Rs. 2.5 lakhs.

Uttar Pradesh

The State Assembly passed the Municipalities (Second Amendment) Bill recently. The Bill provides for the appointment of an administrator in a municipal board, if it could not be reconstituted

after the expiry of its five-year term and extension of its term by two years by the Government.

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The State Government has given a loan of Rs. 6 lakhs to the Allahabad Municipal Corporation for acquisition and development of land for its Govindpur Housing Scheme.

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The Government of Uttar Pradesh has appointed a high-level Committee on Local Government under the chairmanship of Shri Mahabir Prasad Srivastava. Prof. Deva Raj, Director, Centre for Training and Research in Municipal Administration of The Indian Institute of Public Administration, New Delhi; Prof. M. A. Muttalib, Head, Department of Public Administration, Osmania University; and Prof. R. B. Das, Head, Department of Public Administration, Lucknow University have been included as members of the Committee. Prof. R. B. Das is the Member-Secretary of the Committee. Its terms of reference are :

1. To enquire into the causes of the relative failures of municipal government and to recommend steps for effective functioning of local institutions.
2. To consider the place of local self governing institutions in the state and to make recommendations about the abridgement and enlargement of functions and activities to be assigned to them.
3. To examine the existing mechanism of supervision and control of municipal authorities and to suggest policy measures and reforms in state-local relations in the context of development strategies.

4. To make recommendations about the role of local bodies in promoting urban community development and peoples involvement for achieving objectives of social uplift.
5. To review matters relating to area and jurisdiction of the local authorities with a view to ensuring viability and effective performance in the development and maintenance of urban services.
6. To recommend a sound basis for rural relationship in the context of regional planning and development.
7. To examine suitability of the present structure of Local Government to cope with the expanding needs of urban development and socio-economic objectives and to make recommendations about the changes in municipal councils and executive organisations.
8. To suggest appropriate policies of municipal personnel systems and promoting staff development.
9. To review the resources of local authorities in relation to the functions to be performed and to recommend measures for a sound basis of state-local fiscal relationship.
10. Whether the present structure of local bodies has become obsolete and if there is a need to replace it with any other system.

West Bengal

An 11-member State Housing Board will be constituted under the West Bengal Housing Board Act which has been enforced by the State Government recently. The Board will be autonomous in character and execute housing and allied projects on a much larger scale.

CITY GOVERNMENTS AND SPECIAL AGENCIES

Ahmedabad

The All-India Institute of Local Self Government organised a seminar on urban health which was inaugurated by the Mayor of Baroda. The main theme of discussion was urban health services, health education and other problems connected with urban health.

Allahabad

The Mayor in a recent meeting turned down the freshly imposed tax on milch cattle within the Corporation limits.

* * * *

The Mayors of KAVAL towns of Uttar Pradesh met recently and criticized various steps taken by the State Government allegedly, to destroy the autonomy of municipal corporations. They also passed a number of resolutions like urging the Government to shelve the laws relating to the formation of the city Development Boards and Water and Sewerage Board and thereby taking the development works and water works from the corporations.

Amritsar

A decision has been taken by the Amritsar Development Authority to make the city clean and beautiful. A Committee has been set up to go into the details and make recommendations to this effect within a year's time. It has also been planned to have underground sewerage all over the city, and take appropriate steps for slum clearance.

Bombay

A car-free zone was introduced in Bombay, on an experimental basis in Fort area, for the benefit of pedestrians recently. It is proposed to create more car-free areas, if found feasible in crowded localities, railway terminals and pedestrian crossings.

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The World Bank team has submitted its feasibility report on Bombay's water supply and sewerage project recently.

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In a recent stormy meeting of the Bombay Municipal Corporation, the Mayor gave the ruling that neither the Municipal Commissioner nor the Corporation has the power to disqualify a member of civic body. He further reiterated that only the Court enjoys this power.

Calcutta

To meet the pressing financial difficulties, the Calcutta Corporation is likely to impose tax on daily commuters. The tax will be known as 'Passengers Terminal Tax' and is expected to yield sufficient revenue.

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The Calcutta Corporation has adopted a master plan costing Rs. 60 lakhs for solving permanently the problem of removal of garbage from the streets. The plan has been prepared at the instance of the Union Government.

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The World Bank is understood to have been interested in Calcutta's development projects and other schemes which are receiving closer scrutiny at the Bank's Headquarters in the U.S.A. The discussion centered around the scope and nature of development programmes, strong planning support for the programme, steps to gear up and coordinate the implementation and its financial implications.

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The elections to the Calcutta Municipal Corporation are likely to take place in March, 1973.

Delhi

The New Delhi Redevelopment Committee has submitted its report to the

Prime Minister recently. The Committee has recommended several modifications in the Delhi Master Plan and its zonal development plan in the light of changes in economic, social and demographic spheres. The suggestions include comprehensive development of urban form, floor area ratio, land use, vehicular or traffic, pedestrian movement, parking facilities and provision of municipal services.

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The Ministry of Railways has finalised blueprints for a rapid transport system for the capital by 1980, under its Metro Transport Project. The plan envisages laying down of 110 kilometres railway tracks having separate corridors traversing urban Delhi in West-South and East-West directions. Over 500 trains would run on these lines which would be partly underground and partly surface.

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The Metropolitan Council of Delhi has passed recently the Electricity (Supply) Amendment Bill which empowers the Union Government to control directly the Delhi Electricity Supply Undertaking. The Bill will soon come before the Parliament for adoption.

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The Delhi Municipal Corporation has provided over 700 houses to its Class III and Class IV employees. The Corporation plans to provide residential quarters to all its employees within the next five years. A sum of Rs. 1 crore have been set aside for this purpose.

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The Municipal Corporation is chalking out a scheme for the environmental development of various slums in the city. The plan is expected to be finalized after survey of selected areas are carried out and detailed reports are prepared.

* * * *

A Seminar on 'Civic Consciousness' was organized by the Delhi Municipal Corporation recently. The recommendations of the Seminar included suggestion about the institution of ombudsman in larger municipal corporations to look into public grievances, elimination of corruption, food-selling shops to avoid food adulteration, behavioral reorientation of officials who come in contact with public, decentralization of municipal administration and easy public access to the higher echelons of municipal administration.

Hyderabad

A comprehensive traffic and transportation plan is under way for Hyderabad metropolitan area to facilitate planned and orderly expansion of the city. The Road Research Institute, Delhi, the Post Graduate Department of Traffic and Transportation Engineering of the Warangal Engineering College and other development authorities will be associated with the preparation of the plan.

Jaipur

The Draft Master Plan for Jaipur City has been released recently. The plan aims at three-fold expansion of the city. The present city and proposed urban areas have been divided into 8 planning districts for developmental purposes. There will be more or less self-contained in respect of employment, housing, shopping, recreational and other facilities. Three industrial areas would be further expanded in order to cope with future growth. It is also provided in the Plan to construct a ring road to keep off heavy traffic from the town.

Mangalore

Eighteen out of 35 seats of Mangalore City Municipal Council have been captured by the Congress in recent elections. Eight seats were retained by Jan Sangh, 7 by Marxist, Muslim League and independent alliance (paura Samiti) and two by the Congress-ally CPI.

Nagpur

The World Health Organization organised a 14-day South East Asia regional Seminar on Air Pollution Control recently. The Seminar discussed several papers on air pollution control, and methods and techniques.

Patna

The State Government will soon introduce a Bill to merge the Patna Improvement Trust and Housing Board with the proposed Patna Development Authority which will be squarely responsible for the formulation and execution of development plans for the city.

Poona

A novel housing system has been evolved by Poona chapter of Indian Institute of Industrial Engineering. The system known as a "hollow clay type housing system", requires no steel and negligible cement. The system requires plinth area of 20 square metres and will cost Rs. 3,500. Its internal plastering can be eliminated by providing a smooth polished surface. This programme has been submitted for Poona Municipal Corporation's housing and slum improvement scheme.

Simla

The recent seminar on town and country planning has envisaged a steep increase in the urbanization rate up to 1981. It suggested that the size of the existing cities should be reduced for the development of medium size towns besides bringing down the growth rate of metropolitan cities. The Government should chalk out urban development policies to achieve this objective. The other recommendations of the Seminar included socialization of urban land with the object of increasing its supply, earmarking of urban growth centres and points for development.

Sonepat

A development plan costing Rs. 29 crores has been formulated by the Haryana Government to provide drinking water, sewerage and storm drains in 19 sectors of Sonepat district. It has also been proposed to set up an industrial estate for small and medium scale industries under the plan.

Trivandrum

The All India Seminar on Financing and Management of Water Supply and Sewerage Works recommended setting up of autonomous and statutory water and sewerage boards in all states, and they should be run as public utility undertakings on a no-profit no-loss basis. This

Board should be headed by a very senior qualified Public Health Engineer, a finance member, an engineer member (to work as a member secretary) and two representatives of the States and the Local Governments. The Seminar also suggested wide functions for the board covering all aspects of environmental engineering including air and water pollution in urban and rural areas besides facilities for providing water supply and drainage to socially backward areas. It should also have powers to raise its own financial resources. Other recommendations of the seminar included increasing financial allocation in the Fifth Five Year Plan for these schemes keeping in view the needs of difficult regions and other allied problems.

NEWS FROM THE TRAINING AND RESEARCH CENTRES

NATIONAL CENTRE

New Delhi

The Centre organised the first course on Municipal Management during January 3-13, 1973. The course was designed primarily to enable the participants to have an appreciation of the concepts and tools of modern management science. In addition, the political, organizational and public relations aspects of municipal management were covered in the course. The participants were mainly practitioners of municipal administration from different urban local bodies in the country. The National Centre and the Central Institute of Research and Training in Public Corporation, New Delhi, jointly organized a two-day Seminar on Urban Community Development on February 15-16, 1973. The Seminar discussions mainly revolved round the problems of evaluation report on urban community development brought out by the Central Institute of Public Corporation, New Delhi. The Seminar was inaugurated by Shri K. N. Sahni, Mayor of Delhi, and attended by experts from the Central and State Social Welfare Departments, officers working on UCD programmes, University teachers, representatives of the CARE, the UNICEF and the Ford Foundation.

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The Centre is organizing a specialized course on the Personnel Administration during May 7-19, 1973 for municipal and State department officers dealing with municipal personnel matters. A two-day Conference on Training of Municipal Employees is also being planned during May 25-26, 1973. The Conference is expected to discuss threadbare the operational problems of training programmes in the field of municipal government.

REGIONAL CENTRES

Bombay

The Centre organized the 16th course on L.S.G. Training for the Municipal Officers in February, 1973, and completed a condensed L.S.G.D. course in January, 1973. The centre organized three seminars on: (i) 'Urban challenge' for the benefit of presidents of 'A' class municipalities in Maharashtra and Gujarat, (ii) 'Municipal Finance' for the officers of 'C' class municipalities in Maharashtra, and (iii) 'Urban Health' for persons associated with municipal health in Gujarat. The Centre completed a research assignment on 'Adverse Effect of Rent Control Act on the Municipal Revenue of Ahmedabad Corporation'. There are two studies on hand focussed on: (i) Municipal Water Supply Schemes in Maharashtra, and (ii) Socio-Economic conditions of class IV employees of the Bombay Municipal Corporation. Two books have recently been published by the Centre, one on 'Municipal Engineering' by S. S. Naik and another on 'Growing Cities and Priorities'.

Calcutta

The Calcutta Centre is presently busy in offering the Second Diploma Course in Urban and Municipal Administration of six months' duration which commenced on the 11th December, 1972. The Centre organized four Seminars on: (i) drainage and sewerage, (ii) problems of urban families, (iii) municipal enterprises, and (iv) statistical indices used for measuring health and municipal functions. All these seminars were widely attended by experts and practitioners.

The Centre undertook a research study on the "Role of Political Executive in Bombay Municipal Corporation". The necessary material has been collected and with the help of a questionnaires administered to officials and non-officials, further information with regard to the socio-economic and political background, views and suggestions of the functionaries about the present system of Commissioner and Council Plan has been collected. The report writing is in progress.

Another study on the 'Accounts Procedures in Coimbatore Municipality' was also undertaken in January 1973. The

report is expected to be completed shortly

A conference was organised under the auspices of the Centre on March 15, 1973 to examine the feasibility of implementation of the recommendations of the High Power Committee on Municipal Finance and Financial Administration. The participants included State Government officials and experts on the subject. The Government of Andhra Pradesh was one of the collaborators of the seminar. The recommendations of the High Power Committee with special reference to the financial implications of their implementation, urban development, slum clearance, and introduction of capital value were discussed in great detail.

BOOK REVIEW

LEADERSHIP IN URBAN GOVERNMENT: JANGAM, R. T. AND SHARMA, B. A. V., New Delhi, Sterling Publishers, pp. 128, Price : Rs. 21.00.

In recent years some social scientists in India and abroad have turned their attentions towards studies of the social background of decision-makers. It is argued that the social background of the political leaders influences the selection of values and consequently their behaviour. Legislators, cabinet ministers, judges, administrators and other decision-makers have been the subject of such studies. The studies have dealt with data regarding the various aspects of socio-economic background such as education, family, occupation, professional experience in public life, place of birth and residence etc

In this context, the empirical study conducted by the two authors Jangam and Sharma is an admirable effort at focussing the attention on urban leadership in India, though at a micro-level. For the purpose of their study the authors chose the city of Jalna in Maharashtra. In the words of the authors "the aim of the study was to find out the educational, socio-economic, political and organisational background possessed by the city government leaders of a medium-size city like Jalna and the kind or extent of influence the background had on their ability to function as efficient or successful leaders". Besides, to bring out the personalities of the civic leaders, they made an effort to ascertain what kind of relationship existed between them and the parties, citizenry and the functionaries of the city government.

The book has been divided into seven chapters. In Chapter 1 the authors have explained the aims of the study and the methodology, including reasons for selecting Jalna as the medium size city, and the selection of civic leaders for the study.

The time span covered by the study is between 1952-61. Their sample consisted of 60 councillors. Chapter 2 deals with the urban setting of Jalna including its climate, water and electric supply, means of transport and communications, number of households, educational and medical facilities available and the religions and languages of the citizens. Chapter 3 gives a history of the establishment and growth of the municipal government in Jalna and the principal sources of municipal finance, the powers and functions of the municipal government and the number and kind of personnel employed by the municipal government. In Chapter 4 the authors have tried to interpret and analyse the data regarding the various aspects of socio-economic background of the municipal councillors as well as the religion, caste, occupation and economic status. This chapter also contains various useful tables with important data. In Chapter 5 the organisational and political background of the councillors has been analysed. It contains an account of the affiliation of the councillors with various professional associations, trade unions, cultural, social, caste and other organisations. There is an exhaustive analysis of the political compositions of the civic leaders in the three councils. The level and nature of participation and non-participation by the councillors in various political and social movements in the city is also discussed and party-wise participation of the councillors in the various committees of the municipal government has also been analyzed. In Chapter 6 the authors present a view of the actual performance of the councillors against their socio-economic backgrounds. The views of the councillors were ascertained on various issues concerning their work performance such as : estimate of their jobs

as a full time or as a part-time worker whether their role as councillor interferes with their normal profession or occupation, their opinion regarding payment of honorarium for attending municipal meetings and their attitude towards the redressal of citizens grievances. Chapter 7 contains an exhaustive description and analysis of the councillors' relations with parties, citizens and municipal functionaries. It is interesting to note that 67 per cent of the councillors were of the opinion that their relation with municipal executive officers were harmonious.

In the concluding Chapter the authors, on the basis of the data collected and their analysis have tried to draw up the profiles of the councillors. They bring out the kind of civic leadership that is emerging. This in a way is capsule of their earlier analysis and findings.

An important feature of this study is

that besides the usual questionnaire and interview method, they were also participant observers. This gave them an excellent opportunity to closely watch and observe the civic leaders of Jalna in action. The data collected permitted them to build a systematic analysis of the nature and kind of civic leadership. Though the study was confined to only one medium size city, the conclusions drawn will be useful to those interested in the study of 'elite' specially the leadership pattern in the urban government.

It is hoped that similar studies would be conducted in other regions of the country as well, so that a theory of urban leadership could emerge. In the context of increasing urbanization the problem of urban leadership is going to assume great importance in the coming decades.

—S. P. VERMA*



*Reader, IIPA, New Delhi.

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PROGRAMMES ON URBAN AND MUNICIPAL ADMINISTRATION, 1973-74

<i>Courses</i>	<i>Duration</i>	<i>Tentative Dates</i>
(i) 1st course on Valuation and Assessment of Property.	1 week	To be announced
(ii) 2nd course on Municipal Management.	2 weeks	July 9-21, 1973
(iii) 2nd course on Laws in Municipal Administration	2 weeks	To be announced
(iv) 4th course on Work Study in Municipal Administration.	3 weeks	Sept. 10-29, 1973
(v) 1st course on District Development Administration.	2 weeks	Oct. 8-20, 1978
(vi) 14th General Course in Municipal Administration.	4 weeks	Nov. 26-Dec. 22, 1973 (For foreign participants to start on Nov. 12, 1973)
(vii) 4th course on Municipal Budgeting.	2 weeks	To be announced

SEMINARS

- | | |
|---|------------------|
| (i) Urban Planning and Development Authorities. | Aug. 24-25, 1973 |
| (ii) Slums Improvement. | Nov. 8-9, 1973 |

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EDITORIAL

The municipal authorities in India have always been in financial stress. Generally, they look to the state governments for money to help them tide over the crises. But the states are unable to fend for themselves and are increasingly being dependent on central funds. It is small wonder, therefore, that the suggestion of an All-India Municipal Finance Commission has been mooted by some municipal authorities. At least three state governments—Haryana, Kerala and Maharashtra—have now set up committees or commissions to look into the finances of municipal authorities. The state governments of Mysore and West Bengal are understood to have been thinking of setting up similar municipal finance commissions. This shows that the states can no longer afford to keep silent on the problem of endowing the municipal authorities with adequate financial resources. Apparently, the trend seems a healthy one, and one can hope that the search for more municipal financial resources will not go in vain. It needs, however, to be cautioned that mere replenishment of the municipal coffer is not going to cure the ills. So long as the management structure and personnel policies of the municipal authorities remain as they are today, the prospect of municipal administration does not seem to be very bright. Municipal problems should not be thought of only in financial terms. The real malady lies in the management structure under which the respective roles of the elected councillors and the appointed officials remain unclear. Alongside considerations for more municipal funds, attention has urgently to be paid to the problem of modernizing the municipal administrative machine.

—EDITOR

MUNICIPAL TAX COLLECTION

The power to levy and collect taxes can be described as one of the chief characteristics of local autonomy. Although local bodies are described as non-sovereign authorities, it is this particular privilege to levy and collect taxes that gives them some status. Therefore, the importance of tax administration in general and of tax collection in particular in relation to local bodies hardly needs to be emphasised.

Either in Municipal Corporation or in Municipalities the taxes to be collected can be broadly categorised into two. First, taxes on property including tax on houses, buildings and vacant sites. The second category includes other taxes which are relatively unimportant, except octroi wherever in force.

The general process adopted for collection of taxes is usually prescribed in some detail either in the Act proper or by the rules made thereunder. The essence of the procedure generally is to serve a demand notice first and then to serve the bill for the actual amount. If the bill remains unpaid within the stipulated period as per the provisions of the Act or the rules, Municipal Acts of some of the states in India provide for the recovery of arrears by the service of distress warrant.

It is stated that in Assam the Municipal Act does not make tax on buildings and lands the first charge on property. Further, the Municipal Acts of Assam, Kerala, Rajasthan, U.P., and West Bengal have not empowered the local bodies to proceed against immovable property¹. It is strange to note that local bodies in Madhya Pradesh, Rajasthan and West Bengal lack the power to

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*Head, Department of Public Administration, Post-Graduate Centre, Osmania University, Warangal. This paper was presented to the seminar on "Reforms in Municipal Finance" organized by the Regional Centre for Training and Research in Municipal Administration, Department of Public Administration, Osmania University, Hyderabad on 15-2-1973

The author is thankful to Shri G. Srinivas Reddy, Research Scholar, Department of Public Administration, Post-Graduate Centre, Warangal, for his assistance in preparing this paper.

¹ Report of the Rural Urban Relationship Committee, Government of India, New Delhi, June 1966, p. 99.

recover municipal taxes as arrears of land revenue².

The process and problems of tax collection would be incomplete without an examination of the machinery for the tax collection in Municipal Corporations and Municipalities. For the purpose of this paper the machinery for tax collection in Municipal Corporation of Hyderabad and the Municipalities in Andhra Pradesh are only discussed. In Hyderabad Municipal Corporation, the Chief Assessor and Collector is responsible for all functions of the Tax Department of the Corporation including tax collection. There are Assistant Assessors and Collectors working under him in different circles into which the city is divided for purpose of municipal and tax administration. Incidentally, the Assistant Assessor and Collector is functioning as Assistant Commissioner of the concerned circle. The Tax Inspectors work under the immediate control and supervision of the Assistant Assessor and Collector. The Tax Inspectors have to supervise the work of Bill Collectors under their jurisdiction. The whole Tax Department

including the Chief Assessor and Collector is under the direct administrative control of the Municipal Commissioner, Hyderabad.

In Municipalities, the Municipal Commissioner is primarily responsible for tax collection. Tax collection is administered through his subordinates, the Revenue Officers, the Tax Inspectors and the Bill Collectors.

The Bill Collectors, both in the Corporation and in the Municipalities, are local people, not subject to transfer outside the Corporation or the Municipality. However, they are subject to internal transfer from some wards to the other wards.

The common complaint against the Municipal bodies has been that they woefully neglected the work of collection of taxes leading to accumulation of arrears until they become irrecoverable and have to be written off³. The Local Fund Audit Reports are replete with instances of poor collection and heavy arrears⁴. The table below indicates the position.

<i>S. No.</i>	<i>State</i>	<i>No. of Municipalities</i>	<i>Collection in percentage</i>
1.	Madhya Pradesh	Majority of 126	less than 50%
		22	30—40%
		20	40—50%
		13	20—30%
		7	10—20%
		6	less than 10%
2.	West Bengal	35	less than 50%
		Out of 87	

Source : Report of Rural Urban Relationship Committee, *op. cit.*, p. 99.

² Report of the Rural Urban Relationship Committee, *op. cit.*

³ *Ibid.*

⁴ *Ibid.*

Many reasons may be advanced for the existing unsatisfactory position of tax arrears in many of the Corporations and Municipalities in India. They are :

- (a) lack of proper and adequate collecting and supervisory staff;
- (b) unwillingness of the collecting agency to take prompt and timely action;
- (c) improper servicing of the bills;
- (d) absence of follow-up of action by way of reminders;
- (e) use of human labour where adrema or computers may be used;
- (f) sons of the soil becoming Bill Collectors who are not subjected to transfers;
- (g) diffused pattern of responsibility for tax collection resulting in number of audit objections (e. g., in Andhra Pradesh the responsibility for negligence in tax collection has been fixed upon the Commissioner, the Revenue Inspector and the Bill Collector in certain proportions and percentages);
- (h) legal lacunae in the Act and the rules;
- (i) absence of proper incentives (not necessarily monetary) to the Collecting staff;
- (j) the period of limitation working some times against effective collection;
- (k) administrative delays leading to corruption; and
- (l) political interference.

While the picture of arrears presented may appear to be really bad, at the same time one should not fail to take note of

cases where cent percent collection of taxes had been possible. Some Municipalities in Andhra Pradesh like Gudivada, Nandyala and others have achieved cent percent tax collection. The Gudivada case can be considered to be unique because for the last 25 years it has been uniformly maintaining the record⁵. Cent percent collection at Gudivada was possible because of the following factors :

- 1. leadership of the chairman (the chairman was politically influential and was also a landlord);
- 2. compact area of the municipality;
- 3. easy accessibility to the different wards;
- 4. honesty of the Tax Inspectors;
- 5. cooperation of the office staff with that of the field staff;
- 6. psychological obsession of losing the name they have already won;
- 7. non-interference of the council and councillors in tax matters.

It is not argued that the Gudivada case would be equally applicable to every other municipality, but municipalities under similar conditions may also try to achieve cent percent collection.

Tax Collection and Related Factors

The process and effectiveness of tax collection appears to be related to a number of other factors which must be taken care of. For instance, in a Survey of Warangal Municipal Elections it was revealed that citizens were unwilling to pay municipal taxes because the municipal authorities were paying attention only to routine matters and did not provide the

⁵ For details see James, P. A. Thesis on "Municipal Administration in Andhra Pradesh", Osmania University, 1967 (unpublished).

needed civic amenities⁶. There was positive response that the citizens would be willing to pay more taxes if more amenities were provided. Similarly, some of the citizens questioned as to why at least a part of the taxes paid by them in a particular locality in the city could not be ploughed back into that area to improve the civic amenities⁷. Moreover, in a municipality like Nizamabad⁸ two citizens refused to pay the tax—in one case until the open drain before the owner's house was repaired and in the other case until a proper access to his house at least by way of kutchra road being provided—although the request was made by the Commissioner to the owners, on the spot, as a part of the tax collection drive.

The efficacy of tax collection in no small measure depends upon the degree to which the civic sense has evolved among the people. It is regrettable to note that civic sense is lacking on the part of citizens even in cities, not to speak of the citizens in smaller towns. Yet another vitally important factor

which has a direct bearing on the efficiency of tax collection is the attitude adopted by the Local Fund Auditors. At present it is negative and they only mention, year after year, that the arrears of taxes are outstanding. The approach should be positive and performance oriented. The auditors should, in future, by their constructive suggestions indicate in what manner the past pitfalls could be avoided and improvements made in the actual collection. Finally, the close relationship between proper levy, scientific and balanced assessment, and the actual percentage of collection of taxes must be properly understood. Because, under-assessment may mean easy payment of taxes leading to cent percent tax collection. Overassessment would only lead to corruption and harassment of tax-payer. Therefore, there is imperative need to establish a proper relationship between levy, assessment and collection, that would not throw the municipal machinery out of gear and at the same time provide the citizens with a workable formula that would enable them to pay the taxes without difficulties.

⁶ Report on the *Study of Warangal Municipal Elections*, Urban Administration Centre, Department of Public Administration, Osmania University, Hyderabad.

⁷ Report on *Tax Administration in Hyderabad*, Regional Centre for Training and Research in Municipal Administration, Department of Public Administration, Osmania University, Hyderabad.

⁸ Report on *Tax Administration in Nizamabad Municipality*, Regional Centre for Training and Research in Municipal Administration, Department of Public Administration, Osmania University, Hyderabad.

THE ROLE OF PROPERTY TAX IN MUNICIPAL FINANCE

Finance is the one problem among various others confronting the local bodies in the country. Modern state is a welfare state which deals with welfare activities pertaining to the whole state. Local services such as sanitation, water supply, public health, education, etc., are usually provided by local bodies. In a federal state like India, the Constitution has adopted a scheme of bifurcation of resources between the centre and the states. Generally, taxes which have inter-state base are under the legislative jurisdiction of the centre and those which have local base fall under the local jurisdiction of the states. States are quasi-sovereign units and are empowered to constitute local bodies within their respective jurisdictions. Consequently they have assigned certain sources of revenue to these units. The taxes which are assigned to them are (1) property tax; (2) octroi; (3) tax on professions, trades and callings; (4) tax on cinemas, theatres, circuses, etc.; (5) toll; and (6) tax on advertisement. There are certain other taxes such as tax on vehicles other than motor vehicles, tax on dogs, special sanitary tax on private latrines cleaned by municipality, drainage tax, special water tax, tax on pilgrims, special education tax, etc., which are assigned to urban local bodies. This paper deals with the role of property tax in municipal finances, its administration and collection.

“Property tax is a tax levied upon that body of economic goods and rights of the tax payer which is generally levied for the purpose of producing a recurrent flow of goods and services known as income and which under ordinary circumstances is expected to remain intact in the course of income yielding process. The property tax is not, as the term might enormously suggest, a tax paid out of property. It really aims to reach the income derived by the owner from his possessions and uses property merely as the basis of assessment on the assumption that it constitutes an adequate index of taxable capacity”.

G. S. BADHE*

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In the context of local taxation, property tax may be divided into four principal categories :

1. Tax on buildings (including tax on buildings in conjunction with lands) and on lands which are vacant but capable of being built upon;

2. Taxes on unearned increment in connection with town improvement (betterment) schemes;

3. Taxes in the shape of a stamp duty of transfer of property; and

4. Cess on lands which are usually assessed on land revenue.

The first category of taxes covers property taxes levied by municipal councils and corporations and village panchayats. The second category includes taxes levied by the local authority which undertakes improvement schemes. The third category of taxes include those taxes which are generally levied by the state government. The fourth category of taxes are usually levied by zilla parishads and village panchayats.

Property taxes include general taxes and service taxes. Service taxes are imposed on services rendered by municipal councils such as water supply, drainage, lighting, conservancy, etc. Service taxes are collected along with and assessed on the same basis as general tax.

In Maharashtra, property tax is known as consolidated property tax which includes a general tax, a general water tax, a lighting tax, and a general sanitary tax.

Role of Property Tax in the Municipal Finances in Maharashtra

Unlike octroi, property tax is not the mainstay of municipal councils in Maharashtra. The income from property tax forms about 20 to 30 per cent of the tax income. The income from this source might increase after the abolition of

octroi. The per capita collection of property tax including service taxes was Rs. 35 in Bombay, Rs. 15 in Madras, Rs. 9.50 in Nagpur, Rs. 8 in Delhi and Rs. 5 in Hyderabad in 1964-65. In Maharashtra per capita collection of all municipal councils excluding municipal corporations from this source was Rs. 3 only in 1969-70. The per capita collection of four municipal corporations was Rs. 20. The average per capita collection for all councils including corporations in Maharashtra was Rs. 13 in 1969-70. During the last ten years the income from property tax of different councils varied considerably.

This variation is due to real difference in wealth flowing from the size, density and composition of population, from additional differences in rental levels and from the types of occupations in municipal areas. Secondly, in the existing situation there is less reliance on property tax by municipal councils as their main source of income. Thirdly, it may be stated that with the passage of time the importance of this tax has not tended to increase. Though the percentages of revenue from property tax has increased during recent years, yet it has not become the main source of income of municipal councils.

Property Tax—An Obligatory Tax

Property tax is an obligatory tax in Maharashtra. The state government frames the rules prescribing the maximum and minimum rates and the municipal councils impose the rate within such limits. Subject to the maximum and minimum limits, a municipal council has discretionary powers to vary the rate according to the circumstances and conditions existing in the area.

The maximum and minimum rates prescribed by rules are different for different councils. They vary from 15 to 22 per cent in all classes of municipal councils. Although it is difficult to state as to how

the maximum and minimum rates prescribed for different classes of municipal councils are arrived at except perhaps by experience, yet the rationale of difference in rates may be traced to difference in urban income of different classes of municipal area. The rates prescribed are high in highly urbanised areas and are low in less urbanised areas.

Valuation of Property

The present system of valuation in Maharashtra as in other states of India is adopted and modelled on British practice. In England the principle of valuation of property is based upon the rent at which the hereditament might reasonably be expected to let from year to year. The same system is followed by all municipal councils in Maharashtra.

The method of rating as provided is the annual letting value, and the rateable value is determined by the following facts :

The amount of rent at which such building or land might reasonably be expected to be let from year to year, or

The amount of rent for which it is actually let from year to year.

Out of these two amounts the amount which is greater is the annual rent.

From it a sum equal to 10 per cent of the annual rent is to be deducted to ascertain the rateable value.

This method of valuation of property, though appears to be simple, is a complex one. This is because the real rent at which the lands and buildings might be reasonably expected to let may be different from actual rent. So also the same method cannot be applied for assessment of all types of properties such as schools, banks, utility undertaking etc. Capital value method or structural method, profit method or zoning method, output method, unit method are being applied according to requirements.

Statutory Deduction

In Maharashtra 10 per cent deduction is allowed from the annual rent of the building or land for repairs and maintenance. Since it is a statutory deduction it is obligatory on the part of a municipal council to deduct it even though the conditions of property may not warrant such deduction. The owner may not carry out any repairs, yet while calculating rateable value of his property 10 per cent deduction is made obligatory for repairs and maintenance.

Exemptions

All properties are not subject to property tax. Central government properties are exempted from this tax. So also properties used for specific purposes such as temples, gymnasias, cemeteries, building, protecting ancient monuments, etc., are exempted from the levy of this tax. In addition there are certain partial exemptions allowed to certain properties in Maharashtra. Many municipal councils suffer substantial loss of revenue due to these exemptions.

Effect of Rent Control Act on Property Tax

The basis of the levy of tax adopted by various municipal councils is annual letting value. In many councils in Maharashtra like those in U.P. and M.P. the assessment is made on this basis of actual rent. But in the case of certain buildings which fall within the jurisdiction of the Rent Control Act, the rent of such buildings has remained frozen. The standard rent of such buildings cannot be increased as the rent fixed by the Rent Control Act is regarded as the reasonable rent for the purpose of assessment of property. In a country like England, the Rent Control Act does not in any way restrict the valuation of property for levying rates. But in India it restricts the valuation of property. In the case of buildings to which the Rent Control Act is not applicable the tenants

are required to pay contractual rent. Assessment of such properties is made on contractual rent. The principle underlying the collection of property tax is that it is collected because a municipal council renders some services to the local people. But the standard of services rendered to two different properties, one falling within the scope of the Rent Control Act and the other outside, is the same. If this is so then there is no justification in the existing situation in which two tenants of two different properties mentioned above, who enjoy similar amenities are to be treated differently for payment of property tax during the days when the cost of maintaining such local services has been mounting high. It is, therefore, necessary that property tax should be freed from the restrictive influence of the Rent Control Act, so as to yield the desired result.

Valuation Machinery

The revenue yield from property taxes is directly related to two factors, the rate at which they are levied and the assessed and annual value of land and buildings. In the present context of a rapid rise in rentals and values of urban properties, much of the elasticity of property tax as an expanding source of revenue depends upon the effective machinery for assessment of the property and its regular periodic revisions. In Maharashtra the chief officer is empowered to prepare the assessment list. In a municipal corporation the Commissioner is empowered to prepare the same. They get it prepared through their staff. Almost all municipal councils do not possess necessary personnel, organisation and equipment for preparation of assessment list. Those who prepare it are either untrained or inexperienced. In the absence of an authorised valuation officer who is an expert to be appointed by the government and who is empowered to verify and authenticate the list, the powers of verification and authentication of the list are assigned to the Standing Committee of the Councils, which is composed of

political elements. In many councils authorised valuation officers are not appointed. Wherever they are appointed they are withdrawn. Under the circumstances the powers of verification and authentication of assessment list are enjoyed by the Standing Committee. When the power to verify and authenticate assessment lists are assigned to the Standing Committee, there is possibility of political interference in the job of assessment. The Standing Committee as an agency of the deliberative wing may not become an effective machinery to take steps to secure fair assessment of properties.

Definition of Buildings and Lands

Buildings and lands as defined in the Maharashtra Municipalities Act, 1965 have a narrow meaning. Any right or privilege attached to such lands and buildings is not taken into consideration in estimating the fair and reasonable rent. The hereditament which is the unit of assessment should include not only lands and buildings but also a variety of rights attached to them. A licence issued to run a cinema theatre or a restaurant which is attached to the property and which enhances its rental value considerably requires to be covered by the definition of buildings and lands. It will help to increase the revenue from this source.

Quinquennial Revision of Assessment

The Maharashtra Municipalities Act, 1965, provide for quinquennial assessment of properties. But the assessment is hardly revised once in four years for want of necessary machinery. The same old list is continued to be operated for a longer time. Many local authorities are losing substantial revenues due to the assessment list remaining static for quite a long time. Thus the market rent which fluctuates from time to time does not find place in estimating the annual letting value of property.

There is also a tendency on the part of municipal councils not to impose direct taxes and even if they decide to impose

them, they are reluctant to increase their rate with the change of time. In many municipal areas many buildings remain to be assessed due to paucity of staff. All the above facts adversely affect the income from this source, substantially.

Progression in Taxation

Another important question which arises about rates is whether the principle of progression is to be adopted in the levy of this tax. The Local Finance Enquiry Committee favoured this idea. Some of the councils in Maharashtra has adopted this principle of progression in imposing the tax, for example, in Jalgaon Council the rate of levy of this tax varies from 17 per cent to 22 per cent with intermediate graduation. In corporations like Calcutta, Ahmedabad and Madras, such principle of graduation in rates has also been adopted. But such principle of graduation is not adopted by many municipal councils in Maharashtra. There is no need to oppose the idea of introducing a progressive scale in the sphere of property tax particularly in those areas where service charges are correlated to property tax. Today property tax has developed into a charge on the occupier or the owner of property for the services he receives from the municipal council for occupying or owning property in the area. Progressive system of taxation is not to be viewed as an instrument of making each one pay according to one's own ability but also of making each one pay in proportion to the services he receives.

Collection of Property Tax

It is the final stage of the property tax administration. Effective tax collection is the facet of the larger problem of tax administration. Though much depends upon the tax payers' willingness to comply with the municipal authority's demand, yet proper technique and routines are necessary for effective collection. There are several procedures which are to be observed to achieve this goal.

Procedure of Collection

When the amount of property tax becomes due, a bill to that effect is presented to the tax payer by the chief officer. Generally a six-monthly or yearly bill is presented to the tax payer in the beginning of the year. The collection is made either on the spot or by calling the tax payer at the office to pay the amount. In case the tax payer does not pay the dues within 15 days of the presentation of the bill, a notice of demand is issued to him. If the tax payer fails to comply with the notice of demand within 15 days of its service a distress warrant is issued. No time limit is laid down to issue the warrant. The authority to issue and withdraw the warrant is the chief officer. Powers of execution of warrant are given to the authority which serves the warrant. Immovable property equivalent to the amount due, is generally attached. It is sold by auction to the highest bidder.

Reasons for Less Recovery and More Arrears

It is a well known fact that there is great dissatisfaction about the collection of this tax by municipal councils. It has been stated earlier that many municipal councils collect less than 50 per cent of their demand. Various Local Fund Audit Reports bear testimony to this fact. It is stated in one of the reports, that heavy arrears of the taxes and dues in a large number of local bodies are mainly due to lack of proper and adequate collection and supervisory staff and the unwillingness of the collecting agency to take prompt and timely action.

Among the several difficulties faced by municipal councils in the collection of the property tax the one is in regard to taxes from central government properties. These properties are exempted from this tax. The recovery of taxes from state government properties is also very much delayed due to redtapism in the state administration.

Thirdly it becomes difficult to collect property tax from slum dwellers whose number in recent years has considerably increased. In urban areas they construct their huts wherever space is found available. Since the assessment in such cases has to be made on the owners of structures, recovery of taxes becomes difficult as hut dwellers shift their residences from one place to the other.

Fourthly closure of industrial units in industrialized towns, causes considerable delay in collection of municipal dues. The closure of such units pave unemployment, which adversely affects tax collection.

Fifthly, recovery of taxes of properties involved in court litigation due to partition between co-owners, poses a problem of speedy recovery of this tax.

Natural calamities like floods, epidemics, etc., come in the way of collection of this tax. To resort to coercive methods for the recovery of taxes when people suffer from natural calamities is against the principles of natural justice.

There are certain other difficulties causing problems in the collection of property tax. They are the shortcomings found in the Municipalities Act and the defects in the municipal administration.

In a large number of towns, landlords rent out their houses and move out of towns either for business purposes or in search of employment. It is not only difficult to serve notices to those absentee landlords but such notices are avoided by them whenever they are sent to them. Section 126(3) of the Act provides that no arrears of property tax shall be recovered from any occupier under this section if it has remained due for more than one year or if it is due on account of any period for which the occupier was not in occupation of the premises on which the tax is assessed. As a result, the occupier becomes liable to pay only the

current dues thus leaving behind the arrears of taxes incurred by the owners that accumulate till they are recovered from him.

Another shortcoming of the Act is in regard to the execution of warrant. The Act provides that (Section 156) the chief officer is empowered to execute the warrant. He can attach that much portion of property for non-payment of tax which is equivalent to the amount of dues to be recovered. It may be stated that the portion of property which he can attach cannot be sold as no bidder comes forth to purchase the same. In such cases it is very difficult to get bidders. So also property owners usually have their own pools which come in the way of auction arranged by municipal councils. Moreover, most of the properties which come in the possession of municipal councils are tenant occupied properties. To evict old tenants from such properties becomes a problem to a municipal council.

Suggestions to Improve Collection

It is easier to point out the defects in property tax administration than to suggest suitable remedies to improve its collection. Various committees on finances appointed by government suggested various remedies to improve the tax collection, such as, prescription of a standard percentage of tax collection, to disqualify persons to contest election for municipal arrears, to disqualify municipal councils from receiving grants for their failure to collect revenue according to the standard percentage, disciplinary action against executive officers for their failure to achieve the target of tax collection, removal of president for failure to achieve the target of tax collection.

In addition to the above recommendations some more remedies are needed so as to improve property tax collection. One of them is that for the effective handling of the orderly conduct of local tax offices the daily operation and organisation of

these offices are very important matters. In small councils there is no such separate department of tax administration. In such councils there is no separate staff for the collection of tax. Tax inspector, is both shop inspector, and ward inspector. These inspectors are allowed to work in a traditional way. This hampers the collection work of property tax. What is required for improvement of tax collection is a separate tax department with trained staff in each municipal council.

Thirdly it is general experience that decentralised tax administration yields better result in collection of tax revenues. The whole municipal area may be divided into suitable wards and one ward may be in charge of one tax inspector. To encourage initiative in collection of taxes a system of promotion or increment or payment of bonus to staff may be introduced, side by side with punishment to delinquent collectors. These methods will help to increase the collection of this tax. System of door to door canvassing for collection of tax may also be resorted to. It may help to collect the dues on the spot.

The council may adopt a system of discount to encourage the collection of tax. The Municipal Act has prescribed certain percentage of discount. It may be required to be raised further.

The punishment prescribed for non-payment of tax dues is very mild *i. e.* $\frac{1}{2}$ per cent of sum due for the first six months and one per cent thereafter. It is found that in some cases tax payers deliberately delay payment of tax in order to earn more profit. They invest these amounts in the institutions which fetch them better rate of interest.

Under the Rules framed under the Municipalities Act, 1965 a partial exemption of $\frac{1}{2}$ of the rate fixed by a municipal council is provided in the case of buildings, the rateable value of which does

not exceed Rs. 60, Rs. 50 and Rs. 40 in A, B & C class municipal areas respectively. This exemption limit may be raised to Rs. 100. It will give relief to poor tax payers and may go a long way to create better atmosphere for payment. At present disputes arising out of this tax are settled by judicial courts which take long time to come to decision. For speedy collection of arrears from the cases involved in court litigations a circuit court may be set up to try all such disputes. These courts will move from place to place to settle such disputes. Municipal councillors have certain roles to play in the tax collection. They should undertake campaigns for collection of taxes. There is one more suggestion to make in this regard. If the State Government links the collection of this tax to the grants it assigns to urban local units, it may help to improve tax collection. This linking of tax collection to grants to be assigned will indirectly bring pressure upon municipal councils to collect more and more tax dues.

Conclusion

The ability of municipal councils to render municipal services depends upon the collection of their tax revenues. A council which fails to achieve the standard percentage has essentially to depend upon state governments for the assignment of grants. But grants do not come forth easily from state government as state government is also engaged in welfare activities. When octroi is to be abolished, property tax will definitely occupy a principal source of revenue of these councils. It is, therefore, essential and desirable both in the interest of state and municipal governments to give thought to this question to improve tax collection. Tax administration is not an end in itself. It is a means to achieve maximum tax collection. All means must be explored to achieve this end.

MUNICIPAL FINANCE IN PUNJAB

The main problem of local finance is that the resources of a municipality should be adequate for the discharge of its functions. Inadequate resources make municipal bodies dependent on State assistance. Too much dependence on the State Government for financial assistance will diminish their autonomy and importance. If municipal bodies wish to remain autonomous in their area of activity, they should have enough resources of their own and those resources should be tapped to the maximum extent.

The main sources of revenue of Municipalities in India are : (a) Tax Revenue, (b) Non-Tax Revenue. Apart from these revenue sources, special items such as loans, sale proceeds of securities, realisation of sinking funds, and advances and deposits also feature in Municipal finances.

The outstanding feature of all the 103 municipalities in Punjab is that their finances are mainly derived from tax revenues. The non-tax revenues do not make any significant contribution to the municipal finances. The figures in Table I indicate the percentage components of the total revenue in the form of tax and non-tax revenue.

The purpose of the paper is to examine the causes of poor contribution by the non-tax revenue to the municipal finances and to explore the ways and means of increasing the share and importance of this category of municipal revenue.

Sources of Non-Tax Revenue

Revenue from non-tax sources comprises rents of municipal property, fees, fines, income from enterprises, etc.

Municipal property : Revenue from municipal property includes rents of municipal lands, shops, serais, rest houses and dak bungalows, sale proceeds of lands

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and produce of lands, conservancy receipts (other than rates) and receipts from markets and slaughter houses. Table II shows the revenue from municipal property alongwith the percentage contribution made by this source to the total non-tax revenue.

Since revenue from this head is composed of receipts from four items, it is important to know the relative percentage contribution of each item to the total revenue from municipal property. Table III indicates the relative importance of each during the years 1965-66 to 1969-70.

An analysis of the figures reveals that there is a lack of balance between the contribution made by the various items to the total revenue from municipal property. Amongst the four items, rents alone, on an average, account for about 63.77 which is larger than the total percentage contribution made by the other three items. The average annual percentage contributions to the total revenue from municipal property for the remaining three items come to about 8.73 by sale proceeds and produce of lands; 19.74 by conservancy receipts and 7.76 by markets and slaughter houses.

Revenue from Fees : The municipal committees receive income from various kinds of fees. Out of all kinds of fees the licence and tehbazari fees contribute a substantial amount of revenue to municipal finance. Table IV shows the income derived from this source by the municipal committees.

As seen from the Table IV, the annual percentage contribution by this source to the total non-tax revenue has declined from 9.86 in 1965-66 to 5.24 in 1969-70. This is because of certain malpractices prevalent in this area of tax realisation. As in the case of other sources of income, fees particularly licence and tehbazari fees suffer leakages and loss due to bad assessment and collection.

Cases of non-assessment and under-assessment have become rampant in every municipality. Licences are not issued in respect of various trades and under the Prevention of Food Adulteration Rules, 1958. In every municipality there is a large number of persons who are carrying on trades without licences. The tehbazari fee is not realized in advance as required vide rule 18 of the Municipal Account Code with the result that arrears are outstanding in a number of municipalities. Further, the rates of various fees are very old and have not been revised for a long time.

There is enough scope for increasing revenue from this source by revising the schedule of rates and exercising strict supervision over the collection staff. Strict supervision will also eliminate the evils of non-assessment and under-assessment.

Revenue from Fines and Penalties : Income from fines and penalties is an insignificant source of non-tax revenue. The annual percentage contribution by this source to the total non-tax revenue has been less than 3 per cent. The figures in Table V show the amount of revenue which this source is yielding from year to year.

Grant-in-aid : Grants and contributions as a source of municipal non-tax revenue have not grown in importance in Punjab. That the total amounts of contributions and grants advanced from year to year have been insufficient from the point of view of needs of the municipalities can be seen from Table IV.

As is evident from the Table VI, the amounts of revenue from grants have been fluctuating throughout the period under study. The main reasons for fluctuations in the amounts of grants is the complete absence of any definite policy of grants-in-aid on the part of the state government. This results in a vicious atmosphere of bargaining and horse-trading and much depends on the political capacity of the Municipal President of the

Table I

<i>Year</i>	<i>Tax % of Total Revenue</i>	<i>Non-tax % of Total Revenue</i>
1965-66	78.87	21.13
1966-67	82.82	17.18
1967-68	84.18	15.82
1968-69	82.21	17.89
1969-70	79.25	20.75

Table II

<i>Year</i>	<i>Revenue from Municipal Property (Rs. in thousands)</i>	<i>Percentage to Total Non-tax Revenue</i>
1965-66	3617	31.19
1966-67	4042	48.50
1967-68	4667	46.40
1968-69	5566	50.75
1969-70	6810	37.00

Table III

**Percentage Distribution of Revenue from
Municipal Property**

<i>Sl. No.</i>	<i>Name of Items</i>	<i>Years</i>				
		<i>1965-66 %</i>	<i>1966-67 %</i>	<i>1967-68 %</i>	<i>1968-69 %</i>	<i>1969-70 %</i>
1.	Rents	65.99	65.33	61.45	64.26	61.80
2.	Sale proceeds and produce of lands	12.24	8.83	10.47	7.38	4.69
3.	Conservancy receipts	17.25	19.59	22.17	22.18	17.48
4.	Markets and slaughter houses	4.50	6.23	5.89	6.15	16.00

Table IV

<i>Year</i>	<i>Revenue from Fees (Rs. in thousands)</i>	<i>Percentage to Total Non-Tax Revenue</i>
1965-66	1144	9.86
1966-67	1407	16.88
1967-68	1278	12.72
1968-69	1620	14.77
1969-70	965	5.24

Table V

<i>Year</i>	<i>Revenue from Fines and Penalties (Rs. in thousands)</i>	<i>Percentage to Total Non-tax Revenue</i>
1965-66	157	1.35
1966-67	174	2.08
1967-68	222	2.21
1968-69	174	1.58
1969-70	290	1.57

Table VI

<i>Year</i>	<i>Revenue from the Grant-in-Aid (Rs. in thousands)</i>	<i>Percentage to Total Non-Tax Revenue</i>
1965-66	1764	15.21
1966-67	1490	17.87
1967-68	1854	18.45
1968-69	1938	17.67
1969-70	2582	14.02

Table VII

<i>Year</i>	<i>Revenue from Miscellaneous Sources (Rs. in thousands)</i>	<i>Percentage to Total Non-Tax Revenue</i>
1965-66	4912	42.36
1966-67	1169	14.00
1967-68	2024	20.15
1968-69	1669	15.21
1969-70	7757	42.14

committee concerned. Except for the compensatory grants, the municipalities are not receiving any regular grants for the construction of roads, markets, slaughter houses, parks, etc. The absence of any liberal regular grants to the municipal committees has been to some extent responsible for the poor municipal service standards in Punjab. It is, therefore, necessary for the state government to make liberal grants to the municipal committees to enable them to maintain satisfactory standards of municipal services as well as undertake town planning and other important schemes of public works and health and sanitation.

Miscellaneous : This head comprises income from cattle pounds, hackney carriages, fairs, licences for sale of spirits and drugs and other miscellaneous unclassified receipts. Table VII shows income from this head.

To sum up, there is a lack of proper balance between the tax and non-tax revenue. In the absence of any significant contribution by the non-tax revenue the municipalities are dependent for their finances upon tax revenue, thus linking the entire strength and stability of the municipal

finance as a whole with the fluctuations in the contributions by the tax sources. Moreover, the insignificant contribution by the non-tax revenue to the municipal finance is a clear evidence of the fact that the municipalities in Punjab have not yet undertaken adequately the municipal services like markets, slaughter houses, shops gardens, water-supply, etc. Every encouragement should, therefore, be given to the municipalities to develop and expand the sources of non-tax revenue not only by utilization to the maximum extent of such orthodox items as licence fees, market charges, etc., but by undertaking public utility services such as running of local transport services, theatre houses, distribution of gas, milk-supply and other revenue yielding sound commercial enterprises. However, at present, the municipalities have neither the funds nor the capacity to venture into commercial enterprises, neither the state government is keen to encourage them in this direction. If a municipal finance corporation is created by the state government to meet the capital requirements of remunerative undertakings, the share and importance of this category of municipal revenue would increase.*

*See in this connection, *Report of the Rural-Urban Relationship Committee*, Government of India, Vol. I, 1966, pp. 107-8.

INSTITUTIONAL
PROBLEMS
OF
URBAN
DEVELOPMENT
IN
INDIA

In India, the administrative implications of urbanisation have not gone unnoticed altogether. From time to time, specific urban development schemes have been formulated mainly along functional lines to meet the urban challenge. Thus, over the years, national schemes have been formulated on housing, slum clearance, water supply, framing of city master plans, urban community development and so on. All these do point out public policy consciousness about urbanisation and urban problems. The Third Five Year Plan tried to break new grounds by suggesting appropriate locational policies for industries, advocating a policy to strengthen municipal government in the urban areas, and accepting the need for a well-thought-out urban land policy to facilitate planned urban growth. An attempt was also made during the Third Five Year Plan to integrate city development plans with the national plan process *via* the State plans.

In a predominantly rural background, there are obvious difficulties in following an aggressive urban development policy. Capital resources being scarce, one has also to think of alternative choices for the utilisation of available resources. 'Urban development' ultimately boils down to investments in social over-heads, which are in the nature of consumption goods. Naturally, there is general reluctance to divert resources to the cause of urban development. In spite of these constraints, it is perhaps not impossible to formulate a coherent and harmonious public policy for regulated urban development. This is as much a question of formulating a positive policy for urban development as of inventing working techniques for the translation of the public policy into suitable action programmes at the ground level. In other words, the spatial dimension of an urban development policy has to be carefully considered.

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Because of the built-in imbalance in Indian federation between functions and financial resources, any dynamic public policy on urban development has to await the pioneering role of the union government. In India, the urban development schemes that have so far been formulated, have all been initiated by the union government and their introduction was made possible through union financial assistance. The state governments, although they are not unaware of the ever-increasing civic problems in their cities and towns, would generally follow the policy of the ostrich till the situation in the urban areas becomes explosive. The lesson is quite clear. Since the union government has overall responsibility of framing the national plan and is in possession of more financial resources, a well-thought-out policy on urban development will have to be formulated by it, may be, in close collaboration with the constituent states. Until that time, urban development does not seem to have much prospect of attracting substantial financial resources and even effective state attention.

Organisation for Urban Development

The cities and towns in India are locally governed by the municipal authorities. Big cities such as Delhi, Calcutta Bombay, etc., have the corporation form of government and the district towns have the municipal councils to run their local administration. It is the bigger cities and towns which have been bearing the brunt of urbanisation. City administration in India has traditionally been weak, and there has hardly been any accepted standard of urban services. With the growing tempo of urbanisation, city administration in all the larger urban areas has been in disarray. There has always been a substantial backlog of the essential civic amenities. Later, as urbanisation went apace, everywhere city administration faced the difficulty of coping with the rising demand for civic services. The state governments, who are constitutionally responsible for framing legislations

on local government and for their general well being, have in most cases let things drift away. The elected city fathers have also been far from responsible. Crippled by built-in structural weaknesses and neglected by the state government, city administration throughout India could hardly face up to the growing challenges of urbanisation. In some instances, the State governments have taken recourse to the creation of special authorities in a bid to expedite urban development. The assumption in these cases has been that elected city governments were unable to move fast and quick, and they could at best be conceived as more maintenance agencies. An idea has been slowly but steadily gaining ground that urban development needs a special type of machinery different from the elective municipal bodies. Thus alongside the old elective municipal institutions have grown up a number of special authorities notable among whom are the development authorities, improvement trusts, housing boards, and water supply and sanitation authorities. There are instances where even the state functional departments have also come forward to undertake urban development programmes. As a result, however, governmental map in the major urban areas presents a crazy-quilt pattern. There are competitive urban local authorities working at cross purposes and without much of coordination. The way the institutional pattern has been evolving in urban India proves that the states are not quite clear about the shape of administrative organisation which is needed to meet the mounting problems of urbanisation. Municipal government, which has been in existence for over a century is not much trusted, so there is little effort to revamp the municipal authorities. Alternative institutions may be devised, but these are inevitably to come in conflict with the existing municipal authorities. In the absence of any positive programme for the resuscitation of municipal government, the state governments would very often supersede the municipal bodies and take over their

administration. Alternatively, special authorities would be set up for specific purposes such as water supply, housing, slum clearance and so on. Looking at the urban scene in India, one can easily find out that the governmental organisation needed to meet the urban challenge remains an open question. Between punishing the elective municipal government for their inefficiency and occasional delinquency and the establishment of special authorities, there seems to be no other choice before the states.

Urban Planning and Implementation

That urban planning is necessary to guard against haphazard urban growths and promote regulated urban development is almost universally accepted. But there is no unanimity about the methods to be adopted in such planning process and about the organisation for plan implementation. Where the state governments undertake the planning responsibility, generally the ground level agencies and institutions are kept in the dark about the plan which is all of a sudden thrust on them for implementation. If the cities take up their own plan-preparation job, their plans fail to reach out to the areas beyond their legal jurisdictions. The city plans have also to exclude necessarily all other government or semi-government institutions whose operations vitally affect the city areas. The Third Five Year Plan highlighted the need for urban planning and development and a central scheme was accepted under which cent per cent assistance was offered to the states for the preparation of city master plans. Also, in some states such as West Bengal and Maharashtra urban and regional planning was launched on the initiative of the respective state governments. It is encouraging that since the inauguration of the Third Five Year Plan, master plans have been framed for almost all the major cities and towns in India and in some instances regional planning has been methodically undertaken. It has often been remarked that urban planning does not make any sense unless there is certainty that such

plans will be actually implemented. The sceptics have argued that in the absence of financial resources it is useless to talk about urban planning. Even when the technicalities of plan formulation are observed and the plan blueprints are got ready, the states are confronted with a number of important problems. What should be the administrative organisation for the successful implementation of the city master plan? Where from would the resources come for plan implementation? How to give a legal backing to planning and implementation? These basic questions, in most cases, remain unanswered and the plan blueprints have, in consequence, been put into cold storage. This state of affairs has an unhealthy effect of whipping up unnecessary popular expectations which remain mostly unfulfilled. In fact, it will not be far wrong to say that to have a master plan for cities and towns has become almost a status symbol. Implementation part of it generally goes by default. Usually, therefore, one finds that the planners go on extending indefinitely their exercise of plan formulation, since they well know that nobody is in a hurry to see that the implementation is speedily done. Apart from the obvious difficulty of finding adequate financial resources for the implementation of the master plans, in the bigger urban complexes where planning is most needed the shape of administrative organisation to successfully implement the master plans remains an insoluble problem.

Research and Training Needs

Urbanisation and urban development call for a specific type of expertise to meet the problems arising out of them. Since the problems are complex, their solutions should also have to be approached from a variety of angles. In India, research on urban problems is of very recent origin. What has been done so far is to study the urban problems from the standpoint of specific disciplines such as demography, public administration, political science, economics and sociology. In the real life situation, actual events or

phenomena are generally in a composite and complex form and they do not admit of a worthwhile study from the narrow angle of a particular discipline. In India, a specialised and exclusive institute for urban studies is yet to be set up and in the absence of that, piecemeal and stray researches have been going on without any overall goal. Aside from social science research, the urban phenomenon in its applied aspect calls for innovative technological studies. In other words, technological breakthrough is needed in many instances to implement the urban development policies with the help of local resources and against the background of local culture and indigenous needs. Both in social science and technological research, imaginative and comprehensive work is yet to start. There is need perhaps to have a fresh look at our research organisations and think of reorganising the existing units or constituting new ones.

The training needs are felt in both the directions, namely, in urban administration and in urban technology. City administration being of crucial importance in meeting the urban challenge, a new class of city administrators has to be reared up. Attempts are now being made to run a few training institutions for the city administrators. Training is, however still in its rudimentary stage and remains to be carefully developed. A good training

programme on urban administration must be backed by adequate knowledge of the urban situation. Comparative information and data about city administration in India are still inadequate, and it will need considerable efforts and resources to build an authentic inventory of city administration profiles. It is possible to frame a scheme of exchange of information among the developing countries whose experiences in solving the urban problems are sharable. An imaginative training programme is needed to reorient the outlook of the elected city fathers whose role in urban development has not been properly assessed. Within the democratic framework of institutions, their perception of the urban situation and commitment to accelerated urban development will be an invaluable asset. It may be necessary, therefore, to expose as many city councillors as possible to comparable overseas situations and to involve them in well-designed discussion programmes.

The existing training institutions for the city administrators and the civic leaders will have to fit the overall and long-term goals of urban development. Real expertise in this field is hard to come by. It needs to be developed through sustained research and studies, collection of data and information, and sharing of sharable experiences among the developing countries.

LOCAL AUTHORITY POLICY PLANNING

The pace of urbanisation and technological changes have brought transformation in the way of living of the people specially in urban areas. The civic needs of local community have, therefore, undergone qualitative as well as quantitative changes, unfolding wide magnitude and dimensions of urban problems and severe pressure thereof, on local bodies. These pressures have been primarily responsible for setting in motion local government reform movement in western countries which realised that for dealing with these problems the existing political and administrative machinery and the methods of working were inappropriate. Introduction of new tiers, redistribution of local government functions, amalgamation of local bodies for the purposes of planning, economic and administrative suitability were some of the extra-institutional measures resorted to for improving the viability of local bodies for dealing with these complex urban problems.

One also witnesses, on the other hand, the progressive application of new management approaches and techniques such as O. R., PERT/CPM, Programme Budgeting, Simulation, etc., by the local authorities in order to increase their effectiveness. Local Authority Policy Planning is a relatively new approach towards the management of local authorities. It also seeks to incorporate and adapt the management techniques to suit the requirements of local administration and for increasing their problem-solving capabilities.

The application of local authority policy planning in Britain attempts to remedy structural and functional deficiencies which distort the decision-making process in local authority administration. Its acceptance by local authorities has largely emerged out of realisation that traditional administrative structure, style and methods of their functioning fail to cope with the new task and problems. It

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was observed that manpower component in local administration had slowly but gradually undergone a substantial change though its structure had largely remained static. For instance, the departments came to be manned by highly professionalised staff such as doctors, engineers, lawyers, treasurers, planners, welfare workers, teachers, etc. The growth of professionalism in local bodies' functions, manning of services by officers trained as professionals in skills appropriate to particular services within a department along with the practice of each department making its report to a special functional committee, created severe imbalances in coordination and control over activities which were, though functionally specific, essentially inter-dependent. The political as well as administrative structure of local government was shaped by the departmental operations to the exclusion of policy planning for the authority as a whole. There was no mechanism to review the totality of activities of the authority, the impact these activities had on the community and on the scarce resources of the local authorities and the inter-relationships of these activities across the departmental divisions.

Each department has its own lobby in the Council and the basic approach in the allocation of funds was to seek the extension of existing programmes. A strong assumption was built up over a period of time that the only choice before the decision-makers was to determine what additional activities should be undertaken, the extent and the character of the existing activities being taken as given within the present allocation of expenditure. Under such a system the activities became end-objectives of the local authorities. The policies were either projection of activities or perhaps ideas over which the authority might have a decision. Most of the planning, however, was confined to physical development, i.e., determination of land use pattern. In some authorities, there were numerous other plans in existence too. For instance, there might be a

plan for care of old people, plan for hospital, a plan for development of roads, etc. Plans were, thus, exclusively departmental without any inter-locking. Most of these plans, however, were in fact lists of projects without throwing much light on their relevance either to the objectives of local authority or to the existing and future needs of the local community. Each of these projects had its own specific purpose, its life span, and many projects involved commitment to further projects and to further revenue expenditure restricting the future choices before the local authority. Nowhere in the local authority, these plans were brought together for working out their mutual impact or relationships. Also it was found that these plans were using different information concerning the same subject, for example, some local population projections for the same year were different depending on the plan one was looking at. The approach towards data collecting was geared to the needs of the department. Thus, decision making in the existing planning process was highly fragmented, incremental and of an ad hoc nature.

Approach and Contents of LAPP

Policy planning in local authority requires a departure from the notion that municipal administration is a maintenance administration and, therefore, the scope, extent and significance of policy decisions are severely limited. It seeks to build up an innovative, dynamic, responsive and aggressive administration and a well-informed and active political wing involved in policy formulation. At the political level, policy planning provides an emphasis on central planning which seeks choice of goals (objectives) out of the resolution of conflicting interests and competitive values and thus establishes a solid basis of political support for the programmes of the local authority as a part and parcel of planning process. At the administrative level the process of policy planning is to strengthen the ability of the chief executive to

exert a coordinating influence against the centrifugal tendencies of the departments and to develop a well-integrated action-plan within the framework of stipulated objectives.

Policy Plan : Policy plan is a long-term document which projects : (a) the objectives of the local authority, (b) an analysis of existing situation in respect of the needs of the community, (c) the services provided by local authority, (d) the social, economic, demographic, financial and other trends in the area, and (e) the measures to be adopted during the next ten to fifteen years for achieving those objectives.

Local Authority Policy Planning : It is a continuous exercise/process in determining a rational framework for formulation and execution of programmes of a local body. It involves : (i) establishing goals/objectives for the authority in the context of existing and anticipated needs of the local community, (ii) establishing priorities among the objectives in relation to resources currently available and those resources whose future availability may itself be a planning goal, (iii) an appraisal of existing programmes with a view to determining their relation to, distance from and the difficulties in the accomplishment of the objectives, (iv) exploring and evaluating alternative ways of achieving those objectives, (v) selecting the alternative with optimum benefits, (vi) formulating programmes which clearly spell out the timings, assignment of tasks to specific agencies/departments while setting targets for managerial action, estimating required resources in details and providing yearly increment in budget, and (vii) providing a feedback system for continuous review and periodic modification, if necessary, of both objectives and programmes in the light of experiences with incremental action.

Establishment of objectives, of priorities amongst them and selection of the alternative with optimum benefits require closer collaboration between the political and the administrative wings. On the

other hand, resource and requirement analysis, cost-effectiveness analysis of various alternatives explored and the evolution of an integrated action-plan require a cooperative, rather than exclusively departmental approach towards the management of local authorities.

Action Plan : It is a conversion of long-term policy plan into a short-term commitment to actions required to be taken in order to achieve the aspirations stipulated in the policy plan. It covers a shorter time span than the policy plan, and provides for current activities, the changes planned in them and also the planned new activities. It is more than a capital programme in which long-term planning of revenue expenditure is not carried out.

Policy planning process requires : (i) A change in the attitude of decision-makers towards the urban problems and their activities. Instead of *status quo* and precedent orientation, the new approach relies heavily on their questioning attitudes towards what purpose is being achieved, whether there are better economic, alternative ways of achieving the same purpose, where would the operation of activities bring the maximum effectiveness and what department/agency should be assigned what extent and nature of activities for achieving the given purpose. (ii) A cooperative approach in the management system. All agencies/departments converge their interests to a common problem instead of proceeding from the point of view of individual agencies. It implies that common objectives provide a framework for discussing the priorities for the local authorities as a whole. (iii) Pooling of skilled manpower resources within the administration for understanding the environment and recognising the problems within it and a collective endeavour on the part of decision-makers to seek solutions to these problems while keeping in view the totality of the activities of local authorities. (iv) Scope for flexibility in a system wherein there must be a linkage with some mechanism of evaluation of the

programmes and their dynamic environments for corrective action in policy plans and action plans. (v) Necessary and correct information from the right people in the right way. (vi) Application of techniques in forecasting problems, and (vii) generating and evaluating alternative courses of action to cope with this problem.

Methods and Techniques

In recent years a number of management techniques such as Operations Research, PERT/CPM, etc., have been increasingly used in local authorities to identify policy issues, to generate necessary and correct data for decision-making, to explore and evaluate the alternative ways of achieving the given purpose and for providing a management control and coordination system. However, it should be borne in mind that these techniques must be provided with and operated within the framework of defined objectives. Also, it should be clear that the techniques are there to serve the planning process and not as a substitute for it.

Policy planning requires application of programme budgeting instead of traditional revenue budget which concentrates upon the use of financial resources and setting up of financial targets for an extremely limited period of one year.

The programme budget is different also from the capital budget which provides the financial allocations amongst the separate plans (which are, in fact, lists of projects) of separate departments. Capital budget also ignores revenue implication and long-term planning of revenue expenditure. The major difference between the capital budget and the programme budget is that whereas capital budget does not show the relationship between the objectives of the authority and the activities planned or undertaken, the programme budget, through its action-plan which override departmental boundaries to produce an integrated plan, starts not within the statement of financial implications of authorities' activities,

but of how these activities are related to objectives and their expected contributions towards them. Moreover, the programme budget provides for the performance standards in terms of what is to be achieved for the resources that are to be used. Further, the programme budget groups together activities of the local authority directed at similar objectives irrespective of the fact that they are carried out by different departments/agencies of the local authority. The programme structure, therefore, represents a significant departure from the traditional practice of classifying the local authority's activities by committees and departments in the traditional budget.

The programme structure is arrived at after an intensive programme analysis which involves critical examination of the costs and effectiveness of alternative ways of achieving the authority's objectives. The allocation of resources to different departments is done on the basis of activities assigned to them. Since the activities in pursuance of any programme in the programme structure may be split across the departments considered most suitable to execute them, the allocation of resources to the department is done on the basis of activities entrusted to them.

Network analysis is another technique which is being used by a large number of authorities to facilitate inter-agency co-operation, particularly in areas where implementation of projects are dependent upon the action to be taken by agencies outside the local authority. For instance, the road construction is the responsibility of local authority, but it involves traffic forecasts to be given by the Ministry of Transport; acquisition of land by yet another Ministry, action of the legal department and the financial sanction of the Treasury. By preparing a network for road construction project it becomes easier to identify critical points on which the dependency of the local authority on other agencies' actions needs emphasis. It provides a guide as to what organisations and agencies must begin and must

finish at a particular stage of work. Through providing a network, the local authorities have been able to persuade favourably the government departments to timetable their own activities so as not to hold up the whole process of implementation of their plans. Also the network analysis seeks the scheduling of the limited manpower, financial and other resources at the disposal of local authority, insofar as it provides a framework for sound decisions on what, where and when such resources are required to be diverted.

anisation for Policy Planning

As earlier pointed out, the existing organisation structure of local authorities, being fragmented both at the elected as well as the administrative levels, is least conducive for policy planning. In this respect, the organisation changes which are required for policy planning, and some of which have been taking place in U.K., are as follows :

1. The number of committees have been reduced through their amalgamation. The main aim of their reduction have been to give each of the new committee a sufficiently wide homogeneous field of responsibility to be able to deal with major policy issues within the field assigned. The need has also been felt for the institution of a Policy Committee responsible for presenting policy plan and action plan to the council and for feedback and review necessary for a continuing process of local authority policy planning.
2. At the administrative levels, one witnesses the emergence of chief executive officer whose role and functions are substantially different from the traditional institution of Town Clerk with a professional background in law.
3. In past the planning had been the responsibility of the Planning Department under the charge of an engineer

and with its emphasis on physical planning. The Treasury was the other department which shared the planning function through the preparation of annual budget. It is essential for policy planning to constitute a small high-level body consisting of departmental heads and led by the chief executive officer (generally known as Chief Officer's Group) and supported by the appropriate departmental working groups. The first group should be mainly responsible for assisting policy committee on the formulation of both policy plan and action plan. Such a group would present diverse skills and corporate responsibility of all the departments in policy formulation and implementation.

4. To support the Chief Officers' Group in the process of policy formulation it is essential to have a Policy Planning Unit. Such a unit should be entrusted with the following responsibilities :
 - (a) Prepare draft local authority policy plan and action plan for the approval of the Group and isolate key issues for decisions.
 - (b) Carry out environmental analysis in cooperation with other departments and prepare a general analysis of present and future needs of the community.
 - (c) Identify and analyse the opportunities and problems of interaction of the services of local authority.
 - (d) Assist the Group in organisation and manpower planning.
 - (e) Assist in the formulation of programme budget, in the designing of programme structure and in developing programme analysis in association with other departments where a programme cuts across departmental boundaries.

- (f) Initiate, develop and stimulate amongst various departments the use of methods and techniques relevant to the task of local authority policy planning.

Unless the Policy Planning Unit becomes a part of the main management process, it will be ineffective in its above role and the techniques would tend to remain outside the process and thus lose their significance and contribution to policy planning. Most often setting up of a separate unit responsible for the use of techniques causes resistance in their acceptance by other departments where they could be more beneficially used. Consequently, the techniques do not grow in the local authority context and eventually becomes unfit to be used.

Since no other service department can carry out these responsibilities, the Unit has to develop and apply these techniques under the direct control of the chief executive officer, but without any implementation role.

Local Authority Policy Planning in the Indian Context†

Urban local governments in India are of such diverse nature and variety that they present both problems and difficulties as well as scope for experimentation of various approaches and techniques in their management.

The central government as well as the governments at the state level have been largely preoccupied with the uplift of rural areas to the extent that urban local bodies have, in the past, remained completely neglected. Due to lack of commitment to the institution of local government and the ambiguity about the objectives of what is intended to be achieved through them, the state governments have often resorted to establishing

state or city level authorities independent of the local authorities. Multiplicity of authorities for running what essentially are interdependent activities have resulted in either denuding the local authorities of their crucial functions or providing an overlapping of jurisdiction. As a result, there has been a considerable fragmentation of local priorities. Once it is agreed that the local authorities exist for certain purposes, and they are best suited to perform certain local functions, the approach ought to be to make local bodies politically, administratively and economically viable institutions for those purposes and functions. Policy planning heavily rests on the assumption that such a commitment and approach exists at various levels of government.

The urban local bodies suffer chronic shortage of funds. Almost their entire developmental expenses are being financed through grants given either by the state governments or by the central government. Such grants are generally tagged to specific projects or programmes indicating central or state government priorities which may not reflect the local priorities at all. It is also felt that since financial resources are inadequate even to meet the most essential part of the service rendered by the local authorities, the scope for determining local priorities in the allocation of resources is severely restricted.

It is, however, felt that urban local bodies have not effectively mobilised their financial resources wherever they can. In fact the need for policy planning approach is strong where there are inadequate resources so that the existing resources can be used more effectively. The real shortage that is being faced by them is of managerial resources. Due to lack of competent and qualified personnel, the urban local bodies have not been able to mobilise and manage their resources effectively. Policy

†Most of the structural and functional deficiencies of local bodies in U. K. necessitating the need for policy planning approach, and elaborated in Part I are common to local bodies in India. However there are some characteristic features of urban local bodies in India, which had to be examined in any discussion on policy planning in the Indian Context.

Planning requires a strong management infrastructure for its effective use. Such an infrastructure is by and large absent at the level of local bodies in India. There is hardly any planning initiative and the plan implementation is extremely poor at this level. Reforms in municipal personnel administration and in methods and procedures of work are extremely essential as a part and parcel of any package deal introducing LAPP in India.

Policy Planning heavily rests on the achievement orientation of the persons engaged in its process. The decision-making process may be crippled on account of paralysis by analysis if policy planning is imposed on the local authorities in the absence of achievement orientation and necessary attitudes and motivation associated with it. It is, therefore, essential that positive organisational and training efforts should be made for promoting such orientation amongst municipal personnel.

Training programmes should be suitably designed for imparting knowledge and skills appropriate to local authorities as well as for emphasising achievement orientation.

LAPP is heavily conditioned by the overall national and state policies. Multiplication of planning levels independent of each other, without sharing the common data and without considering the output of one as an input to the other,

will not succeed in seeking any rational allocation of resources. It has got to be recognised that for certain purposes the local authorities are best suited for formulating local plans. For instance, *inter se* priorities will have to be determined on the basis of actual local needs and these needs may be quite different from the state or national needs. The state government, however, can indicate to the local governments well in advance the areas of development according to their own priorities, so that the local authorities can best consider their relevance to local situation before drawing up their own plans which should eventually be integrated with the state plan.

For the purposes of integrated planning, it may be necessary to have a two-tier system with the Planning and Development Authority functioning at the state or the regional level and the local authority at the operating level. Planning and Development Authority should not be an entirely nominated body.

To make a beginning with the policy planning at the local bodies level, it may be necessary for the central government to provide funds for the installation of small policy planning units in selected local authorities. Once the indigenous experience with the working of policy planning approach is gathered and found fruitful, the approach can be gradually adopted by other bodies to their advantage.

LAWS IN RELATION TO ENVIRONMENTAL POLLUTION

Environmental pollution is already felt in our country and is assuming importance with the increase in population, rapid industrialisation and growing urbanisation. Statistics are in abundance to bring home the extent of pollution of our water courses, the degree of contamination of the air we breathe and the quantum of damage caused by intolerable noise.

Even though India is still in the early stages of industrialisation, its harmful effects on the environment have already started showing signs.¹ While the role of industrialisation in environmental pollution cannot be undermined it is the increasing tendency towards urbanisation that is the major contributing factor to pollution. The rapid growth of population and the consequent influx of the people to urban areas have resulted in a tremendous increase in the volume of urban wastes. Sewage disposal and treatment facilities have not kept pace with the growing demands of urban population. Indiscriminate disposal of industrial and municipal wastes by dumping them into low lying areas or water courses or by unscientific burning have resulted in the pollution of land, water and air. The increase in the number of automobiles and factories in the urban areas have also added to the problem. Noise pollution again is a necessary concomitant of urbanisation.

It is true that the problem has not yet assumed alarming proportions in India; but unless urgent measures are taken to tackle the issue at the infant stage itself, it is likely to become unmanageable, resulting in heavy damage to the health of the community.

The object of this paper is to evaluate the existing legal provisions for the prevention and control of pollution under

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¹ The Barauni Refinery incident or "the Ganges in Flames" which happened in March, 1968 is still fresh in the minds of the people, at least those of the Monghyr Municipality. Here the oil discharged from the Refinery into the river Ganga caught fire and the water supply to the residents of Monghyr had to be suspended. The Commission which enquired into the matter fixed the responsibility squarely on the Refinery authorities and recommended substantial damages to the Municipality whose protected water supply was affected for some time

the various municipal enactments and other legislations having a bearing on the subject and suggest changes needed in the law to combat pollution on a better footing.

Municipality—a Major Polluter

It has to be admitted at the outset that municipality is one of the major polluters, even though the law does not allow it to be so.² In fact the law envisages a clean and healthy environment for the inhabitants to live with by laying sufficient stress on the preservation of public health. Municipal enactments invariably contain provisions dealing with public health and sanitation.³ They enjoin the municipal bodies to provide wholesome water to the inhabitants⁴ and to have proper arrangements for effectual drainage and sewage disposal.⁵ The Delhi Municipal Corporation Act further provides that “on and after such date as may be appointed by the Central Government in this behalf, no sewage shall be discharged into any water course until it has been so treated as not to affect prejudicially the purity and quality of water into which it is discharged”.⁶

As has already been pointed out one of the major causes for water pollution is the dumping of untreated sewage into the water course. If the sewage is discharged after proper treatment, its deleterious effect can be safely brought down to the minimum. Again, there are adequate provisions in the Municipal Acts for making proper arrangements for the removal of rubbish, filth and other pollutants and

obnoxious matters and for the disposal of the same.⁷

These are some of the obligatory functions imposed by the statute on the municipal bodies for the preservation of public health. These functions if performed properly would definitely go a long way in bringing about a cleaner environment for the inhabitants.

A majority of the municipal pollution problems, however arises from the individual's interaction with his environment. Individuals are largely responsible for environmental degradation. It has been correctly pointed out that man is destroying himself with his own pollution; but this individual polluter has little self-motivation to clean up.

The Need for the Law

Here the law must intervene. It must give the necessary incentive “by visiting sanctions upon polluters sufficient to take cessation of pollution a preferable alternative”. Even though the municipal Acts do not provide adequate incentive to the polluters to clean up, they do contain provisions to deal with individual polluters also.

Provisions in the Municipal Acts

Pollution as such is not defined or dealt with under the Municipal Acts; but the provisions which deal with the prevention or suppression of “nuisances” are generally aimed at combating pollution at the local level. An attempt is made

² In an English Case where the Corporation was held liable to the claimants whose fishing rights were seriously injured by the pollution of the river caused by the Corporation's inadequate sewage disposal system, the court said : “Their act in pouring a polluting effluent into the river makes them guilty of nuisance . . . (they have) no authority to pour into the river an effluent which was noxious or polluting”. (1953 1 All E R. 179 (CA)).

In India, recently a case was reported from Andhra Pradesh where the High Court has held (Oct. 11, 1972) that the municipality could be prosecuted under the Indian Penal Code for causing public nuisance by systematically neglecting its duty to maintain cleanliness in the town.

³ Chapter XVII of the D.M.C. Act, 1957.

⁴ Section 213.

⁵ Section 240(2).

⁶ Proviso to Section 250; See Section 241 also.

⁷ Sections 350 to 353.

here to bring home this point by examining in detail the provisions of a more recent municipal Act *viz.*, the Gujarat Municipalities Act, 1963.

The Gujarat Municipalities Act, 1963

This Act defines "nuisances" to include any act, omission, place or thing which causes or is likely to cause injury, danger, annoyance or offence to the sense of sight, smelling or hearing or which is or may be dangerous to life or injurious to health or property".⁸ Sections 192 to 206 deal specifically with the municipality's powers for the prevention of nuisances.

Under the Act, (i) the depositing of rubbish, filth, etc., or committing any nuisance in any street, drain or on the bank of any river, water course, etc., or any public place other than where it is permitted to be deposited under the Act, is prohibited,⁹

(ii) the committing of nuisance in any sewer, drain or water course or in such close proximity thereto as to pollute the same is prohibited,¹⁰

(iii) the discharging of sewage, etc., from any building or land to any street or open space, etc., so that it is likely to be offensive or to remain stagnant is prohibited,¹¹

(iv) the keeping of any dirt, filth or nightsoil or any noxious or offensive matter in any land or building by the owner

or occupier except in some proper receptacle, for more than the prescribed time, is prohibited.¹²

(v) the removal of any nightsoil or other such offensive matter other than during permitted hours and streets is prohibited,¹³

(vi) the washing of clothes by washermen except at places appointed for the purpose is prohibited,¹⁴

(vii) the fouling of water by bathing in any stream, pool, tank, reservoir etc. or by doing anything whereby the water therein is fouled or corrupted, is prohibited,¹⁵

(ix) the use of nightsoil or other manure or substance emitting an offensive smell is prohibited.¹⁶

These provisions, it may be seen, are aimed at preventing the pollution of water, soil and air by prohibiting the indiscriminate disposal of domestic wastes and misuse of water-course, drain, etc. There are some other provisions also in the Act which empower the municipal authority to require the owners of sewers, cess pools, well, etc., to keep them clean and in proper order so as not to cause a nuisance to the community. In certain cases the authority is given powers to demolish or fill up such places for abating the nuisances.¹⁷

Section 206 of the Act is unique in the sense that it empowers the municipality to deal effectively with smoke nuisance

⁸ Section 2(15); the D.M.C. Act, 1957 [Sections 2(33)] and the Calcutta Municipal Act, 1951 [Section 2(50)] give a slightly wider definition by including the words "or disturbance to rest or sleep" after the word "hearing" in the definition.

⁹ Section 192 (1).

¹⁰ Section 192 (2).

¹¹ Section 193.

¹² Section 194.

¹³ Section 195.

¹⁴ Section 200.

¹⁵ Section 194.

¹⁶ Section 203.

¹⁷ Sections 168, 183 and 202—For comparable provisions see Sections 332, 333, 341 and 441 in the Calcutta Municipal Act, 1951.

which results in air-pollution. This section empowers the municipality to direct by public notice that any furnace employed in any works or buildings for the purpose of any trade or manufacture, "to be constructed, supplemented or altered so as to consume or burn or reduce as far as may be practicable, the smoke arising from such furnace". This section read with Section 221 gives sufficient powers to the municipality to prevent pollution of the air by certain industries. Section 221 deals with nuisance from certain trades and lists out certain trades which can be completely prohibited or can be required to make structural alterations if they commit any nuisance. Here nuisance has been given a wider meaning by including all contamination of the atmosphere by the deposit of soot or by mechanical noise. Sub Section (3) empowers the magistrate to close down the premises on the application of the executive committee of the municipality.

The Calcutta Municipal Act, 1951

Similar provisions can be found in other municipal enactments also. For instance Section 436 of the Calcutta Municipal Act, 1951 empowers the commissioner to refuse to give permission for the establishment of any factory, workshop, etc., if he is of opinion that the establishment of such factory, etc., would be objectionable by reason of the density of the population in the neighbourhood or would be a nuisance to the inhabitants.¹⁸ Again Section 437 (1)(b) prohibits the use of any premises for a purpose which is in the opinion of the Corporation dangerous to life, health or property or likely to create a nuisance (which opinion shall be conclusive and shall not be challenged in any court).¹⁹ Similarly Section 438(2) clothes the Commissioner with the power to stop the user of any premises causing a nuisance,

if the owner or occupier thereof refuses to obey the order of the Commissioner to stop such nuisance.²⁰ Section 439 empowers the Corporation to declare by public notice a specified area inside which no person shall use any premises for a purpose which in the opinion of the Corporation is dangerous to health or likely to create a nuisance.²¹ And Section 583 enables the Corporation or any person who resides or owns property in Calcutta to complain to the magistrate the existence of a nuisance and seek remedial measures.

The Delhi Municipal Corporation Act, 1957

Under the Delhi Municipal Corporation Act, apart from the provisions noted in the foot-notes, clauses (21) and (22) and (24) of Part B of Section 481 empower the Corporation to make bye-laws regarding the elimination of trade effluent before it enters the municipal drain, the permissible quantity, the rate of discharge, the temperature of the trade effluent to be discharged etc. Further clause (19) of Part J of the same section deals with regulations of smoke in factories, workshop and trade premises. Section 241 of the Act prohibits the emptying into the municipal drain certain matters which are likely to injure the drain or affect prejudicially the treatment and disposal of its contents, etc.

It may be mentioned here that even though the Municipal enactments contain certain provisions for the prevention of pollution arising out of industrialisation and urbanisation, they are neither uniform nor adequate. Provisions for pre-treatment of municipal wastes, for instance, are conspicuously absent in many of the Municipal Acts, neither are there provisions for pre-treatment of industrial efflu-

¹⁸ cf. Section 416 (2) of the D.M.C. Act, 1957.

¹⁹ cf. Section 417 (3) D.M.C. Act.

²⁰ cf. Section 418 (2), D.M.C. Act.

²¹ cf. Section 419, D.M.C. Act

ents before they are discharged into the municipal drains.

Other Legislations

There are some general provisions in the Indian Penal Code, Criminal Procedure Code and some state enactments like the Bengal Nuisance Act dealing with "public nuisance". The following are, however, some of the major legislations in the area.

The Indian Factories Act, 1948

The Factories Act contains some stray provisions for preventing pollution. The Act requires factories to make effective arrangement for the disposal of wastes and effluents and empowers the state governments to make rules regarding the same.²² Most of the States have framed necessary rules under this section and the rules in general provide for the approval of the arrangements by the local authorities²³ or public health authorities. Some of the states have provided for "suitably treating" the effluents before discharging them into water courses.²⁴ Under the U. P. factories rules the arrangements are to be approved by the Effluent Board constituted for the purpose.²⁵

Rule 18 of the Act confers some legal powers to the State Inspectorate of Factories for ensuring proper treatment of industrial effluents before disposal. It has been reported, however, that such powers have not proved useful in preventing water pollution in the absence of a professional agency to assess, guide and advice on the treatment measures needed in each case.

The Maharashtra Prevention of Water Pollution Act, 1969

Maharashtra is the only state which has enacted a Water Pollution Prevention

Act. The Act provides for the prevention, abatement and control of pollution of streams in the state and for maintaining the wholesomeness of such streams. It envisages the constitution of a Water Pollution Control Board empowered to define pollution prevention areas (local authorities are represented on the Board), promulgation of standards of quality of water, conducting of investigations, co-ordination of all control activities in the state, training of personnel for the purpose and the rendering of advice to the government. Under the Act the existing and new industries have to obtain permission for the discharge of their effluents and get prior approval for treatment plant designs.

The Prevention of Water Pollution Bill, 1969

Since the existing legal provisions dealing with pollution were found to be inadequate and unsatisfactory, the Government of India had set up a Committee in 1962 to draw up a comprehensive legislation for the prevention of water pollution. The Central Council of Local Self-Government considered the report of the Committee and resolved that a single law regarding the measures to deal with water pollution control, both at the Central and State levels, should be enacted by Parliament. A draft Bill was accordingly prepared and was introduced in the Parliament in 1969. The Bill is yet to be passed.

The Bill envisages *inter alia* the constitution of a Central Board and State Boards, the defining of water pollution prevention areas, provisions for penalties for contravention of the provisions of the Act and setting up of water testing laboratories at the Centre and in the States.

The main function of the Central Board is to promote cleanliness of streams

²² Section 12.

²³ Rule 22 of the Maharashtra Factories Rules, 1963.

²⁴ Rule 17 of the A. P. Factories Rules, 1950.

²⁵ Rule 18 of the U. P. Factories Rules, 1950.

and wells in different areas of the States. Other functions include the rendering of advice to the Central Government on prevention of water pollution, the co-ordination of the activities of the State Boards and resolving of disputes among them and providing of technical assistance and guidance to state Boards. The Board is empowered to exercise the powers and functions of a State Board in respect of the Union Territories. The Bill does not provide for the representation of local authorities in the Central Board.

Local authorities are, however, represented in the State Boards. The functions of these Boards, *inter alia*, are to plan a comprehensive programme for the prevention of pollution of streams and wells and to advise the state government, local bodies or industrial undertakings on matters relating to prevention of water pollution.

Clause 20 of the Bill seeks to prohibit the use of stream or well for the disposal of polluting matter. Clause 21 requires the prior consent of the State Board for the discharge of trade or sewage effluents or wastes into a stream or well under certain circumstances. Clause 26 deals with emergency measures.

Clause 45 seeks the assistance of local authorities for the discharge of the functions of the Board.

Air Pollution Control Legislation

The proposed legislation on air pollution control is likely to cover all sources of pollution such as industries, transport, railways, automobiles, diesel vehicles as well as domestic fuel with extensive powers to the Board to be constituted under the Act for effective action. It envisages strict penalties for atmospheric polluters.

The legislation envisages the setting up of Air Pollution Control Boards in the Centre as well as in the States with powers to issue and revoke licences to

polluting industries, enforce emission standards and to frame rules and regulations for the control of air-pollution. The legislation, it is reported, is primarily directed against the 12 highly polluting industries called Scheduled Industries such as Iron and Steel, Textile and Power plants. The second target is to notify certain heavily polluted regions as "air pollution control areas" where any further pollution would become a severe health hazard to the people. The Boards will have power to prohibit certain trades and manufacturing process in notified areas and prescribe emission standards in scheduled premises. The legislation is also understood to seek to ban the burning of garbage and other waste products in urban areas as well as the fouling up of the air by burning smoking fuels for domestic purposes.

The Industries (Development and Regulation) Act, 1951

The National Committee on Environmental Planning and Coordination, after studying the Act has recommended that stern measures should be taken to ensure that new industrial units follow steps to check pollution right at the planning stage itself. At the Committee's instance, the Ministry of Industrial Development has inserted a new clause in the application form for industrial licences calling for information on the steps the applicant proposes to take to ensure that the discharge of effluents and gases into air, water and soil does not exceed the prescribed safety limits. The Ministry will withhold the licence if it finds that the proposed pollution control measures are inadequate.

Conclusion

The draft legislations for the prevention and control of water and air pollution are expected to deal with the problem in a more comprehensive manner. It may, however, be pointed out here that some of the provisions in the proposed legislations are already in existence in the various

municipal enactments in a slightly different form—in the form of prevention or suppression of nuisances. For instance, the provision under Clause 20 of the Prevention of Water Pollution Bill prohibiting persons from permitting any poisonous, noxious or polluting matter from entering into any stream or well etc. is contained in Sections 168, 192 and 201 of the Gujarat Municipalities Act. Further the requirement of pretreatment of trade or sewage effluents before discharging the same into the stream or well so as to prevent the effluent being poisonous, noxious or polluting and prescribing conditions for granting consent for such discharging based on the nature and composition, temperature, volume or rate of discharge etc. contained in the Bill can be found in Sections 241, 250, and Clauses (21) (22) and (24) of Part B of Section 481 of the Delhi Act. Again, as already pointed out, some of the municipal enactments give sufficient powers to the municipal bodies to prevent pollution of air by certain industries.²⁶ Similarly the power conferred on the State government under Clause 16 of the Bill to define water pollution prevention areas can be compared with the powers given to the Municipal Corporation under Section 439 of the Calcutta Act and Section 419 of the Delhi Act.

The point that is intended to be brought home is that it is the failure to enforce the existing legislative measures effectively rather than the absence of legislative provisions that has been responsible for the increasing growth of pollution in our country. Of course, the provisions in the Municipal Acts are neither uniform nor satisfactory and a comprehensive legislation as proposed to deal with all aspects of pollution, is an absolute necessity, especially when the problem has assumed national importance.

While the need for a national legislation cannot be undermined, it should be remembered that the problem can be

satisfactorily tackled only if attacked at the grass-root level—the local level. As has already been pointed out, unchecked and unplanned growth of urbanisation is the major contributor to pollution in India. Municipal bodies have been forced to become polluters because of their inability to enforce the sanitation laws and other laws properly and rigorously. Because of their inadequate resources they are prevented from attempting any sort of pre-treatment of sewage effluents. Garbage disposal is being done in an unscientific manner. Sufficient powers have been conferred upon the local bodies to deal sternly with individual polluters, whether they are indulged in domestic or industrial activities. Here also lack of resources and technical know-how and personnel, stands in their way in enforcing the laws. It is here that the government should come to the rescue of municipal bodies.

It is suggested by way of conclusion that (i) the existing legal provisions in the municipal enactments should be rigorously enforced. The state government and whenever necessary the central government should give necessary assistance to the municipal bodies in this regard.

(ii) Necessary provisions should be incorporated in the municipal Acts for proper treatment of sewage effluents before disposal. Adequate powers should be given under the Act to enact zoning regulations with a view to ensure judicious location of industries so as to avoid their over-crowding.

(iii) The national legislation should provide for better involvement of local authorities in tackling the pollution problem. Necessary powers should be delegated to municipal bodies to deal with the problem at the local level. They should be given necessary financial as well as technical assistance in the matter. The legislation should aim at stimulating and assisting the local authorities, rather than pre-empting their efforts. It may be worth

²⁶ See Sections 206 and 221 of the Gujarat Act; Sections 436 to 439 of the Calcutta Act and Sections 416 to 419 of the Delhi Act

quoting here the relevant provision in the U. S. Federal Water Pollution Control Act (as amended in 1970), Section 1(b) of which says :

“ . . . it is hereby declared to be the policy of Congress... .. to provide Federal technical services and financial aid to state and interstate agencies and to municipalities in connection with the preven-

tion and control of water pollution”.

The Centre, State and municipalities should pool their resources to combat pollution on a co-operative basis by giving mutual assistance and guidance. It may however, be remembered that legislative measures can succeed only through the involvement of the people and the industries concerned.*



*This paper was presented to the Seminar on “Environmental Pollution and Urban Administration” held by CMA in the Indian Institute of Public Administration, New Delhi during April 27-28, 1973.

GUJARAT COMMITTEE ON GRANTS-IN-AID

The Government of Gujarat had set up in July 1969 a Committee to study the system of grant-in-aid and the procedure for payment to the Municipalities as well as the Municipal Corporations and to make recommendations suggesting modifications in the same with a view to enable the Municipalities and the Municipal Corporations to function more efficiently while keeping in view the financial position of the State and need for the Municipalities and Municipal Corporations to mobilise their own resources to the maximum extent.

The Committee, as finally constituted, consisted of the following :

1. Shri F. N. Rana, I. A. S.
(Rtd.) Chairman
2. Municipal Commissioner
Municipal Corporation,
Ahmedabad. Member
3. The Deputy Secretary,
Finance Department. Member
4. The Deputy Accountant
General, Gujarat State Member
5. The Deputy Secretary,
Panchayats and Health
Department. Member
6. Shri P. V. Bhavsar, Direc-
tor of Accounts and
Treasuries, Ahmedabad Member
7. Shri Arun Sinha, I.A.S.,
Director of Youth Ser-
vices and Cultural Acti-
vities. Member
8. Director of Municipalities,
Gujarat State, Ahmeda-
bad. Member-
Secretary.

The main conclusions and recommendations of the Committee may be summarized as under :

1. There is a need for making greater provision for urban areas in the future plans.

*Source : Report of the Grant-in-Aid Code Committee for Municipalities and Municipal Corporation Government of Gujarat, 1972.

- 2 City Development Programmes should be integrated with the State Plan and the National Plan.
3. The State Government, with the help of the Reserve Bank of India and the Central Government, should ensure liberal supply of credit to institutions of local self government against approved schemes of urban development. Cheap credit on the lines adopted for agricultural development, supplemented by equally liberal and broad based credit facilities from the L I. C. and the Scheduled Banks, should be arranged.
4. The Government should frame model rules and bye-laws, so that individual municipalities may be able to draft their own rules and bye-laws on the basis of such a model.
5. Unambiguously stringent and long-term curbs should be imposed to curtail municipal expenditure on establishment. Other statutory and executive measures should also simultaneously be undertaken.
6. The entire proceeds from Education Cess collected within the areas of urban local bodies should be transferred to them by way of grant-in-aid. This grant should be used by them for primary education alone and no grant should be paid to an urban local body which has not undertaken this responsibility. The proceeds from Education Cess could be supplemented, to the specified extent, by a grant for Primary Education.
7. The machinery for collection of Education Cess in Municipal areas should be the same as the one employed by them for assessment and collection of taxes assessed on properties.
8. A provision should be made in the enactments governing urban local bodies to enable municipalities and

Municipal Corporations to increase the rate of Stamp Duty by 10 and 15 per cent respectively, for the purposes of the respective urban local body.

9. In the sphere of further reservation of sources of revenue for the exclusive utilisation of urban local bodies, the following two taxes are recommended :
 - (i) tax on professions, trades, callings and employments, referred to in Article 276 of the Constitution of India; and
 - (ii) tax on advertisements, other than advertisements published in the newspapers.
10. Urban local bodies should be permitted to levy a surcharge on Entertainment Duty up to 10 per cent of the tax.
11. Grant in-aid-from royalty on sand, murrum and hankar, even if operative, should be discontinued.
12. In the share of new sources of revenue to be reserved for the exploitation by or for urban local bodies the
 - (i) Urban Land Tax, and
 - (ii) Building Tax may be considered.
13. A basic per capita General Purpose Grant, based on population as enumerated at 1971 census, may be paid to all the municipalities at the following rates :

(a) A Class municipalities	30 p. per capita per yr.
(b) B Class municipalities	45 p. per capita per yr.
(c) C Class municipalities	60 p. per capita per yr.

A grant-in-aid from Entertainment Duty equivalent to the per cent of net receipts of the duty realised from within the respective boroughs may be paid to the municipalities on the following basis :

<i>Municipality</i>	<i>Basis of grant-in-aid</i>	
A Class	...	15 per cent
B Class	...	20 per cent
C Class	...	30 per cent

A municipality which fulfills all the conditions and attains the standard prescribed in respect of all the five items shown below should be paid Incentive Grant calculated at 25 per cent of all Government Grants actually paid to it during the last preceding financial year. If a municipality achieves the prescribed standards in respect of one or more items, the grant will be calculated keeping in view the marks assigned to each item and standard prescribed. Therefore for becoming eligible for the above grant, the municipality should achieve the minimum standard of performance shown below :

Sl. No.	Item	Standard to be prescribed for eligibility of the grant		
		Class of Municipality	Minimum per head per annum (Rs.)	Marks
1.	Income from taxation	A	45	25
		B	40	
		C	35	
2.	Income from all sources excluding loans, deposits and advances but including donations	A	60	25
		B	55	
		C	50	
3.	Expenditure of Establishments (non-self supporting)	Not more than 25 per cent of the Municipality's own income from non-self supporting items mentioned in Government Resolution No. MUN/3750/29-325/AI, dated 7.8.1961.		25
4.	Recovery on municipal dues excluding octroi.	95 per cent		15
5.	Expenditure on Medical relief and public health activities.	Minimum of 10 per cent of the municipality's income		10
Total				100

14. Grant-in-aid from Non-Agricultural Assessment paid to the municipalities should be discontinued.
15. Grant-in-aid from Land Revenue paid to the municipalities should be discontinued.
16. Grant-in-aid for implementation of Development Plans may be paid to the municipalities at the following rates :
 - (1) 33-1/3 per cent of the gross cost of works and/or land acquisition included in the sanctioned "Development Plans" of the "A" Class municipalities.
 - (2) 50 per cent of the gross cost of works and/or land acquisition included in the sanctioned Development Plans of the "B" and "C" class municipalities.

17. For meeting the balance of the cost implementing Development Plans, financial assistance by way of loan may be given to the municipalities.
18. (i) The rate of grant-in-aid for Water Supply and Drainage Schemes approved by the Government should be as mentioned below :

<i>Class of municipality</i>	<i>Water Supply Schemes</i>	<i>Drainage Schemes</i>
A	20% of cost	35% of cost
B	30% of cost	45% of cost
C	35% of cost	55% of cost

- (ii) The centage charges may be levied at the rate not exceeding 10 per cent as against 17.85 per cent at present;
- (iii) The municipalities should be required to deposit only their share (*i.e.* excluding Government grant in aid) of the cost;
- (iv) The grant-in-aid may be released thrice, instead of once, a year;

- (v) The present system of giving grants on "as and when" basis (*i.e.* subject to the availability of funds in the State budget) may be modified and the specific provision for each individual scheme may be made in the State budget. After this is done the feasibility of superintending Engineers being authorized to sanction grant-in-aid according to budget provision may be examined;

- (vi) Expenditure on the establishment of the Secretariat Staff dealing with these Schemes may not be debited to the Schemes and instead it should be met from the Secretariat's normal budget;
- (vii) The Water Supply and Drainage Schemes may be taken up as integrated Schemes only.

19. A grant equal to the entire proceeds of the tax on land and buildings collected in a municipal area under the Gujarat Education Cess Act, 1962, may be given to the authorised municipalities concerned subject to the following conditions :

- (a) The grant will be given only to an authorised municipality as defined for the purposes of the Bombay Primary Education Act, 1947, and the rules thereunder;
- (b) the grant should be utilised by the municipalities exclusively for the specific purpose of meeting admissible expenditure on Primary Education;
- (c) for calculating admissible expenditure all items of expenditure allowed to be debited to the Primary Education Fund should be considered admissible for the grant-in-aid;
- (d) grant should be given to authorised municipalities irrespective of the fact whether they levy property tax or not;

- (c) the tax (Education Cess) should be collected by the authorised municipalities themselves irrespective of the fact whether they have levied property tax or not and if necessary the Gujarat Education Cess Act, 1962, may be amended to provide for such an arrangement on compulsory basis.
20. Grant-in-aid for Primary Education equal to the amount by which 75 per cent of the admissible expenditure on primary education falls short of the assessed annual demand of the Education Cess levied under the Gujarat Education Cess Act, 1962, in case of 'A' class, and 90 per cent in case of 'B' and 'C' Class, authorised municipalities may be paid.
 21. Grant-in-aid for Secondary Education should be regulated by Government orders which apply to all non-Government Secondary Schools
 22. Grant-in-aid towards expenditure on dearness allowance at the rate of 50 per cent should be paid to the municipalities on the following basis, rates and conditions :
 - (i) The municipalities which are levying property tax at the rate not less than 8 per cent should be paid this grant on the basis of percentage of expenditure on establishment (non-self supporting items) of the municipalities out of their own income from non-self supporting items mentioned in Government Resolution; Health and Industries Department No. MUN/3759/29325/AI, dated the 7th August, 1961 as follows :

<i>Expenditure</i>	<i>% of D.A. Grant admissible</i>
(a) up to 33%	100%
(b) above 33% but up to 40%	75%
(c) above 40% but up to 50%	60%
(d) above 50%	40%
 - (ii) The grant should only be paid towards the expenditure on payment of dearness allowance to the staff sanctioned by the Government under Proviso(a) to sub-section (1) of section 271 or by the Director of Municipalities under sub-section (1) of section 273 of the Gujarat Municipalities Act, 1963 and that no grant will be payable towards the expenditure on dearness allowance to the staff other than the one sanctioned as aforesaid;
 - (iii) The grant should not be paid towards the expenditure on payment of dearness allowance to the staff of commercial enterprises such as electricity undertaking and transport undertakings and school teachers, etc.
 23. Grant-in-aid for maintenance of Dispensaries and Hospitals paid to the municipalities should be discontinued. However those municipalities which render this service may be paid grant-in-aid on the basis of the amount received for the year 1970-71 but such municipalities will not be eligible for an increase in this grant in future, even if they undertake or carry out any expansion. Thus, for those municipalities which render this service, the grant will stand frozen at the level of the year 1970-71.
 24. Grant-in-aid to municipalities for the purchase of wheel Barrows and Hand Carts may be given.
 25. Grant-in-aid for Maintenance and Repairs of Roads given to the municipalities, should be discontinued.
 26. Grant-in-aid for construction of quarters for conservancy staff may be paid to the municipalities.
 27. Grant-in-aid for maintenance of Maternity Homes and Maternity

Hospitals and eight other grants given to the municipalities should be discontinued.

28. Grant-in aid for conversion of dry latrines into water borne ones should be paid to the municipalities as follows :
 - (i) half the cost may be borne by the owner/tenant/occupant of the latrine (other than municipalities as regards their own latrine, as no subsidy is envisaged for the latrines owned by the municipalities);
 - (ii) 25 per cent of the cost, or Rs. 100, whichever is less, may be given as subsidy to such person by the municipality concerned,
 - (iii) 25 per cent of the cost, or Rs. 100, whichever is less, may be given as subsidy, by the Government to the owner/tenant/occupant of the latrine through the municipality;
 - (iv) the Government should also provide loans at the rate of 50 per cent of the cost of conversion or Rs. 200 per latrine, whichever is less, to the municipalities to enable them to advance similar loans to owners/tenants/occupants of the latrines who are financially weak or unable to convert their latrines on their own.
29. Grant-in-aid under the Bombay Motor Vehicles Tax Act, should be commuted and paid in lump sum, once and for all, to the municipalities concerned.
30. Grant-in-aid under the Bombay Public Conveyance Act, 1920 should be commuted and paid in lump sum, once and for all, to the municipalities concerned.
31. Grant-in-aid under the Bombay Shops and Establishments Act, 1948
32. Grant-in-aid from Fines realised in cases under municipal and other Acts tried by magistrates should continue to be paid to the municipalities.
33. Municipal Corporations should be paid grant-in-aid from Entertainment Duty equivalent to ten per cent of net receipt of the duty realised from within the respective cities.
34. For implementing the proposals of their Development Plans, the Municipal Corporations should be given $66\frac{2}{3}$ per cent of the cost as loan and $33\frac{1}{3}$ per cent of the cost as grant-in-aid.
35. The Committee has recommended the earmarking of the entire proceeds from Education Cess to specified urban local bodies for the purposes of Primary Education and the discontinuance of the grant-in-aid from Non-Agricultural Assessment and Land Revenue.
36. The annual demand of Education Cess in the city in the previous year will be ascertained and treated as grant-in-aid for Primary Education to the authorized Municipal Corporation. If, however, the amount falls short of the amount calculated, @ 55 per cent of admissible expenditure the balance will be paid to the Municipal Corporation as grant-in-aid for Primary Education.
37. Grant-in-aid to Municipal Corporations for Secondary Education, should be regulated by Government orders which apply to all non-Government Secondary Schools.
38. Grants which flow to Municipal Corporations under various schemes,

should continue to be paid as hitherto.

39. For the purpose of grants which need to be released in instalments May, September, and February should be prescribed as the months of release of three instalments. The first and second instalments should be released on the basis of previous year's grants and necessary adjustments should be carried out in respect of third instalment on the basis of information available then and any over or under payment can be adjusted in the following year.
40. For grants which are not to be released by instalment, the month of release of each type of this grant should be prescribed.
41. In order that expertise is built up and the valuation of properties is placed on a sound footing in the State, Central Valuation Agency on the lines suggested by the Rural Urban Relationship Committee should be established.
42. All municipalities should, within a period of say one year, impose a certain minimum number of taxes at rates not less than those determined by the Government. Any municipality failing to impose the taxes at the rates specified should be deemed to have violated General Condition No. (a) governing the Grant-in-aid Code and thereby to have forfeited all claims to grant-in-aid from the State Government.
43. Urban local bodies which have proven record of sound financial administration should be encouraged to undertake approved schemes of commercial nature through liberal loan assistance.
44. A common cadre of municipal officers and servants should be created.
45. The State Government should, initiate early steps to ensure that at least, the Fifth Five Year Plan reflects in full measure the requirements of urban areas in the State.
46. A separate Department for Urban Development should be constituted at the Secretariat level.
47. Government should take very early steps to establish an Urban Development Corporation for Gujarat State.
48. The Government should commission a number of studies, possibly through research institutes and other institutions, on the State's urban areas in general and urban local bodies in particular.

JUDICIAL DECISIONS

Tortious Liability

By a ruling given on March 28, 1973, the Supreme Court held the Agra Nagar Mahapalika and its Health Officer liable for damages for prohibiting the sale of a stock of "condemned wheat flour". The court set aside a judgment of the Allahabad High Court which had dismissed the suit for damages filed by the appellant firm. The appellants had purchased the flour in question from the military dairy farm, Agra, which had condemned the stock as "unfit for human consumption". The appellants contended that the flour was still usable as manure and also fit for consumption by animals and the orders of the respondents prohibiting the sale of the stock had effectively prevented the sale of the stock resulting in loss to the firm. The Supreme Court found on evidence that the appellants had clearly notified by signboards that the stock was unfit for human consumption and informed intending purchasers that it was condemned flour. The court held that the orders of the respondents were illegal and that it was immaterial under the law of torts that the respondents acted bona fide and in the interests of public health. Good motives did not cure an illegal act giving rise to a claim for tortious liability, the court observed.

The court allowed the firm's appeal and remanded the case to the High Court for determination of the actual quantum of damages payable to the appellants by the Mahapalika.

Pilgrim Tax

Dismissing a writ petition filed by the Municipal Board of Hardwar Union and others against the Union of India, a Division Bench of the Delhi High Court has held (April 18, 1973) that the Comptroller and Auditor-General was under no

legal duty to give a hearing to the petitioners before he certified the net proceeds of the pilgrim tax, as required by Article 279 (2) of the Constitution. In this case, the Railways had imposed a Pilgrim Tax on the passengers visiting Hardwar by road and rail. Appropriations were made about the collections of the tax and some portion of it was paid to the petitioners. The petitioners used to check the accounts of the railways in this regard prior to the passing of the Terminal Tax of Railways Passengers Act, 1956; but with the passing of the Act the practice was stopped. The petitioners contended that as they were also beneficiaries of part of the collections of the tax, they had a right to check the accounts.

Rejecting this contention, Mr. Justice Sachar held that there was nothing unfair or inherently wrong if the petitioners were not allowed the inspection of the railway's account or given any hearing by the Comptroller and Auditor General before he gave a certificate as required under Article 279 of the Constitution because "there is a fullfledged independent organisation of the Comptroller and Auditor General with larger resources and much greater staff to do precisely the same thing and to see that the taxes which are to be assigned to the states are in fact assigned to them." The court, therefore, held that there was no violation of the principles of natural justice, if no hearing was given to the petitioner.

Assessee's Right to Appeal

Allowing a revision application filed by the Sholapur Municipal Corporation, the High Court of Bombay has held that rules 8(3) contained in the schedule to the Bombay Provincial Municipal Corporation Act, 1949, must be deemed to be mandatory and not directive. The rule

precludes an assessee from objecting to the municipal tax assessment if he was guilty of non-compliance with an order for furnishing the required information to the municipal authorities.

The assessee, in this case, who owned a building in Sholapur town was served with a notice under rule 8(1), calling upon him to furnish certain information to the municipal authorities. He did not comply but said that he supplied some information later, orally. The municipal assessor and collector revised the rateable value of the building owned by the assessee as some floors were added to the building. The assessee lodged an objection which was overruled after he was given a hearing. Under Section 406 of the Act, the assessee appealed to the civil court which reduced the rateable value, but on further appeal the assistant judge raised it again. This order was challenged by the assessee in the revision petition.

It was contended by the Corporation that the assessee's appeal to the civil court under section 406 was not maintainable in view of the bar of rule 8(3), since he had not complied with the notice served on him for furnishing certain information.

The court observed that sub-rule (3) of rule 8 clearly specified the consequences of non-compliance with the notice issued under sub-rule (1) thereof. It precluded an assessee from objecting to any assessment made by the commissioner if he, the assessee, was guilty of non-compliance with an order for furnishing the required information to the corporation. The court held that it was impossible to consider sub-rule (3) in any manner other than as mandatory provision "without rendering it altogether nugatory". The court pointed out that sub-rule (3) came into operation only after the assessment was made by the commissioner, since it spoke of the assessee being precluded from challenging the "assessment". The procedure for objecting to the assessment, when made, was by means of an appeal

under section 406, and as such the assessee was precluded from filing an appeal against the assessment made by the Commissioner. The court set aside the orders of the lower courts and held that the fixation of the rateable value made by the commissioner had become final by virtue of section 413 of the Act.

Obligatory Duties

While dismissing a petition filed by the Bombay Municipal Corporation challenging a decision of the Board of Appeal under the Town Planning scheme III of Bandra, the High Court of Bombay has held that the cost of such works, the obligatory duty to carry out which is cast by law on the Bombay Municipal Corporation, is to be met from finances raised by taxation and the burden thereof cannot be shifted to the land-owners, by including the cost in the costs of the town planning scheme. In this case some 300 landlords affected by the scheme, which was drawn and published by the town planning officer, appealed to the Board which directed the reduction of the rate of incremental contribution by the landlords from 50 per cent of the increment to 30 per cent.

The town planning officer had included the cost of construction and maintenance of drains and drainage works and of public latrines, urinals and similar conveniences, and also the costs relating to public streets, bridges, culverts, causeways, etc., in the costs of the scheme. The Board of Appeal held that under section 61 of the Bombay Municipal Corporation Act, 1888, it was the Corporation's obligatory duty to carry out these works and as such the cost of such works should not be included in the cost of the scheme.

The Corporation argued that Section 61 itself provided that it shall be incumbent on the Corporation to make adequate provisions "by any means or measures it is lawfully competent" for carrying out the work of construction and maintenance of drainage and public streets. Such

"means or measures" would include means and measures to raise finances for the purpose of carrying out the said work.

The court rejected this contention and held : "The Municipal Act contains provision for levy of taxes and assessment and at the same time casts an obligatory duty on the Corporation for carrying out certain works. These works which are obligatory are to be carried out from the finances raised by taxation. That burden cannot be shifted to the shoulders of the land owners".

Supply of Filtered Water

The High Court of Calcutta issued a Rule on the Corporation of Calcutta, its Administrator, Commissioner and the Executive Engineer (Water Works) to show cause why a writ in the nature of mandamus should not be issued directing them to supply filtered water to each and every house in the Ballygunge Place and its neighbouring areas in accordance with

the provision of the Calcutta Municipal Act, 1951. The petitioners who were residents of Ballygunge Place alleged that the Corporation authorities in utter breach of their duties and obligations as imposed on them under sections 264 and 268 of the Calcutta Municipal Act had failed and neglected to supply filtered water to the rate-payers and residents of the area for more than two months and the residents were experiencing considerable difficulties because of that

Since the Corporation authorities failed to appear before the court on the day of hearing of the case, the court issued an *ex-parte* order directing the Corporation authorities to continue the supply of filtered water regularly according to the existing arrangement and granted liberty to the petitioners for appropriate interim order incorporating therein all necessary and relevant facts and circumstances regarding the Corporation's negligence and indifference in the matter of supply of filtered water.

URBAN NEWS

UNION GOVERNMENT

The Centre has advised all state governments to set up housing development authorities for large metropolitan cities on the pattern of the Delhi Development Authority.

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An outlay of Rs. 19.6 crores has been approved for various programmes under the community development and panchayati raj sectors of all states and union territories for the year 1973-74 according to the Annual Report of the Union Agriculture Ministry (Development of Community Developments) presented to the Lok Sabha.

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It was announced in the Lok Sabha that under the present policy, unauthorised colonies which came up after February 1, 1967 in Delhi would not be regularised. The regulation plans for unauthorised colonies which came up between September 1, 1962 to February 1, 1967 would be prepared by the Delhi Municipal Corporation and the Delhi Development Authority.

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The tentative figure of total approved plan outlay on housing in the state sector for 1973-74 for all states (excluding Union territories) would be 30.63 crores. A sum of Rs. 5 crores has been provided for the implementation of the scheme for the provision of house sites to landless workers in rural areas during 1973-74.

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The Housing and Urban Development Corporation of the Ministry of Works and Housing has sanctioned 66 housing

schemes so far and has provided loans to the tune of Rs. 71 crores.

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The Housing and Urban Development Corporation has decided to extend the term of repayment of its loans from the present limits of 12 years to 20 years for houses meant for economically weaker sections of society and 15 years for the low-income group.

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STATE GOVERNMENTS

Andhra Pradesh

The High Court of Andhra Pradesh has quashed the state government notification postponing the civic election in the state and appointing municipal commissioners as special officers as *ultra vires* of the powers of the state government. Allowing the writ petition filed by the Chairman of Nalgonda Municipality, the court directed the state to conduct elections to the municipality within three months.

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Gujarat

The state assembly adopted an Amending Bill to the Gujarat Municipalities Act empowering the government to extend the terms of Municipalities by one year if it was necessitated due to natural calamity such as famine, flood and earthquake. With this amendment the Municipalities in the state would go for election only before the end of March 31, 1974.

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Haryana

The Haryana Vidhan Sabha has approved an Amending Bill abolishing Zila Parishads and vesting vast powers in the

government to control the functioning of panchayats and block samities.

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The Haryana Vidhan Sabha has passed a comprehensive municipal Bill designed to consolidate and amend the laws relating to municipal bodies of the state. Representation to scheduled castes in municipal bodies, abolition of customary rights of sweepers and prohibition of the carrying of night soil as headloads are some of the provisions of the new Bill. It also provides for the establishment of municipal services at the state-level and uniform service rules for municipal employees.

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The state government has constituted a sub-committee for going into the question of mobilisation of finances for local bodies in the state.

Kerala

An Amending Bill has been published by the Kerala Government for converting the present double-member wards in the Municipalities into single-member wards as in the case of the Parliamentary and Assembly Constituencies and Municipal Corporation divisions. The Bill also seeks to provide for the reservation of seats for Scheduled Castes and Tribes and for women in single-member wards.

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The term of office of the members of all panchayats in Kerala has been extended upto December 31, 1973, thus putting off elections to the 1967 panchayats in the state.

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Maharashtra

The state government has authorised 25 Municipal Corporations in the state to raise loans amounting to Rs. 89.11 lakhs

from the Life Insurance Corporation of India for implementing their water supply schemes.

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The state government is considering a proposal to bring corruption cases in the Bombay Municipal Corporation under the purview of the state Lok Ayukta as the Lok Ayukta had informed the government that he had received a number of complaints of corruption against employees of the civic body.

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The state government had decided to constitute vigilance committee for every municipal ward to supervise the functioning of the ration shops in the city. All the 140 councillors have been appointed on the vigilance panels.

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The state government has constituted the Maharashtra State Municipal Finance Commission with the following terms of reference:

- (a) what are the financial resources available to the municipal corporations and municipal councils in Maharashtra state;
- (b) whether the above resources are being fully exploited by the urban local bodies;
- (c) whether their resources are adequate or fall short of their financial requirements for maintaining the minimum standards of service to the residents of their areas as well as for urban development schemes;
- (d) to recommend measures for bridging the gap, if any, between their requirements and their resources, keeping in view the overall resources position of the state.

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Mysore

The state government is considering the early constitution of a Municipal Finance Commission for devising ways and means of assisting the municipalities which are facing financial stringency.

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The state government is likely to bring a Bill soon for constituting the Bangalore Development Authority.

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Elections to all municipalities in the state will be held after August 15 following delimitation of territorial divisions based on the 1971 census.

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Punjab

The Punjab Vidhan Sabha has passed the Municipal (Amendment) Bill seeking to make important changes in the municipal administration. Under the Bill, the term of a municipality will be five years instead of three years as at present. It also lays down that if the president or in his absence the vice-president fails to summon a meeting of the committee within 14 days of receipt of a requisition, the requisitionists will be competent to convene a meeting in accordance with the bye-laws of the committee within 30 days of such requisition. The state government will be competent to suspend or supersede a committee for a period not exceeding a year if the committee is not competent to perform its duties.

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Rajasthan

The Rajasthan Housing Board has decided to take up a project of building "Gandhi Grahs"—cheap houses—for the poor and weaker sections of the society in cities and towns of the state, on the Kerala pattern. Each house will cost Rs. 2,000. Applications for these houses

would be entertained all over the state from July 1 to September 30.

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Tamil Nadu

The state government has constituted an Urban Development Fund of Rs. 1.50 crores for the purpose of implementing schemes of development in urban areas and their environs and to create necessary infrastructure like roads and water supply. The fund is to be built up from contributions made out of the collections from Urban Land Tax and Surcharge on Sales Tax levied in the cities of Madras and Madurai and the towns of Tiruchi, Salem and Coimbatore.

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The state government has constituted a Water Sewerage Purification Committee with eight members with the Director of Health Services and Family Planning as its chairman.

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The state government has plans to construct 50,000 pre-fabricated houses in 5000 villages at the rate of 10 per village. The cost of a pre-fab house would be about half of that of the conventional type house, depending on its plinth area.

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Uttar Pradesh

A high-powered Committee of the U. P. Government has decided to reorganise and reconstruct the disrupted sewer lines in Lucknow's posh development colony—Mahanagar—at a total cost of about Rs. 8 lakhs.

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West Bengal

The state assembly has passed the Calcutta Municipal (Amendment) Bill which seeks to provide an inducement in the shape of rebate to the ratepayers of Howrah municipality for the payment of their arrears.

CITY GOVERNMENT AND SPECIAL AUTHORITIES

Ahmedabad

The general board of the Ahmedabad Municipal Corporation has resolved to pay the employees of the Ahmedabad Municipal Transport Service, a bonus of 4.33 per cent for the year 1971 and 1972 in addition to what they had already got as bonus in those years.

Ajmer

The Ajmer Municipality has decided to raise the monthly minimum water rate from Rs. 3.25 to Rs. 5.62 from July, 1973.

Baroda

Civic elections in Baroda have been postponed to March, 1974 due to the prevalence of scarcity situation in the state.

Bhopal

Two new taxes viz., lighting and sanitation taxes of Rs. 5 each per head per annum have been proposed in the current annual budget of the Bhopal Municipal Corporation. The taxes are expected to yield Rs. 2 lakhs annually.

Bombay

A total number of 104 foot over-bridges at an estimated cost of Rs. 3 crores have been planned to be constructed by the Bombay Municipal Corporation in the next few years. Out of this, plans for 35 bridges have been finalised and of them 5 have been approved by the Standing Committee.

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The Municipal Corporation of Greater Bombay has increased the rate of water tax leviable on rateable value from $4\frac{1}{2}$ per cent to 7 per cent of the rateable value of the buildings and lands in Greater Bombay with effect from April 1, 1973.

Burdwan

The government of West Bengal has sanctioned Rs. 4.32 lakhs towards development grants to different municipalities in Burdwan district for the current financial year. Out of this Rs. 1.87 lakhs have been allocated to Burdwan Municipality.

Buxar

The Buxar Municipality has been superseded by the state government.

Calcutta

The Calcutta Metropolitan Development Authority has drawn up new civic improvement schemes for the Calcutta region to be implemented during the Fifth Plan period, costing about Rs. 141.44 crores.

Delhi

The Delhi Municipal Corporation has decided to take cognizance of sub-divisions of property through inheritance or sale and purchase, while issuing property tax assessment notices. The order notifying this change of rules have been issued by the Municipal Commissioner in pursuance of a resolution of the Corporation. Formerly the Corporation recognised subdivisions only when physical divisions had actually been carried out.

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The New Delhi Municipal Committee has earmarked Rs. 2.22 crores for social welfare schemes including roads, drainage, water supply, environmental improvement and housing for the poor in the budget estimates of 1973-74.

The Delhi Co-operative Societies Act, 1972 (No. 35 of 1972) and the Delhi Co-operative Societies Rules, 1973 have been extended to the union territory of Delhi with effect from April 2, 1973, according to a decision taken by the Delhi Administration.

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Gudlavalleru

The Gram panchayat of Gudlavalleru in the state of Andhra Pradesh has been adjudged the winner of the first prize in the national competition of gram panchayats. This scheme was a special feature of the 25th anniversary celebration of Indian independence, in which 17 states and three union territories participated in the competition.

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Gwalior

The state government has prepared a scheme to solve the drinking water problem of the town. The scheme would cost Rs. 1.19 crores in the first phase of the plan of Rs. 2.27 crores.

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Hazaribagh

Panchayati Raj was introduced in Hazaribagh district of the state of Bihar. It is understood that the government has plan to introduce Panchayati Raj system in all the districts of Bihar during the year.

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Hyderabad

The Andhra Pradesh Directorate of Municipal Administration has released Rs. 8 lakhs as loan to 12 municipalities to meet the acute housing problem in the urban areas. In addition the Directorate has also sanctioned Rs. 11.52 lakhs as loan to 22 municipalities in the state to construct houses for sweeper and scavenger staff.

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Jabalpur

Elections to the Jabalpur Municipal Corporation have been held after 16 years.

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Madurai

The Madurai Municipal Corporation has decided to raise a loan of Rs. 1 crore during 1973-74 for implementing its proposed 12-year development plan.

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Sehore

A magisterial enquiry has been ordered into the affairs of the Sehore Municipal Committee.

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Delhi Development Authority

An assessment of the working of the Delhi Development Authority by an Expert Committee has been recommended by the Public Accounts Committee in its 75th report presented to the Lok Sabha. It said that the Expert Committee could, besides reviewing the overall functioning of the DDA also suggest further measures for the Development of Delhi and its suburbs.

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Gujarat Housing Board

The Housing and Urban Development Corporation under the Ministry of Works and Housing has decided to introduce the "Save a rupee a day and own your house" scheme in Raj Kot with the co-operation of the Gujarat Housing Board.

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Life Insurance Corporation

The Life Insurance Corporation has introduced in the city of Bombay a scheme called "Own Your Flat" Scheme from May 1, 1973. Under the scheme, the policy holders can purchase ownership flats in Bombay. The building in which the policy holder may desire to purchase a flat should have been brought under the purview of the provisions of the Maharashtra Apartment Ownership Act 1970; it should

also be newly constructed and should be one to which a completion certificate has been issued by the municipal authorities. The maximum amount of loan that will be available will be 2/3rds of the value of the flat subject to a minimum of Rs. 10,000 and a maximum of Rs. 1,00,000. The rate of interest will be 10 per cent per annum payable quarterly. A rebate of 2½ per cent would be allowed if the flat is self-occupied.

Madhya Pradesh Housing Board

Madhya Pradesh Housing Board has submitted to the state government different schemes of Housing of Rs. 47.50 crores for the Fifth Plan for the state, as against total Housing programme of Rs. 9 crores in the Fourth Plan. During 1973-74 a total number of 4,000 houses will be constructed at a cost of Rs. 5 crores.



NEWS FROM THE TRAINING AND RESEARCH CENTRES

NATIONAL CENTRE

New Delhi

The Centre organised two specialized courses—one on Municipal Personnel Administration during May 7-19 and another on Municipal Management during July 9-21, 1973. The courses were attended by municipal and state department officers dealing with municipal administration. The Centre also organized a two-day seminar on "Environmental Pollution and Urban Administration" during April 27-28, 1973. The Seminar was inaugurated by Dr. J. N. Khosla, UN Adviser on Public Administration to the Government of Ethiopia and was attended by Municipal Councillors, Officials, non-Officials and experts on the subject.

The Centre is organizing the 4th specialized Course on Municipal Budgeting during August 6-18, 1973. The forthcoming seminars proposed to be organized by the Centre are (i) Urban Planning and Development Authorities, and (ii) Slums Improvement. The dates for the seminars will be announced later.

REGIONAL CENTRES

Bombay

The Centre is conducting the Seventeenth Course on Local Government Service (L. G. S.) Diploma Course which commenced on 9th April 1973. The ob-

jective of the course is to acquaint municipal officers with the various aspects of municipal administration, namely, municipal laws, systematic working of different departments, preparation of budgets, maintenance of accounts and auditing. Seventy-three participants are attending the Course. A Refresher Course on 'Rating and Assessment for Municipal Officers of Rajasthan State' (28.5.73 to 2.6.73) was also organized by the Centre. The Course was intended for municipal officers serving in the field of 'Rating and Assessment'. Twenty participants attended the Course. Apart from the above courses, the Centre has completed the following Research Projects: (i) "Common Staffing Pattern of Gujarat Municipalities", and (ii) "Cost of City Administration in Gujarat State".

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Calcutta

The Centre organized three seminars; (i) Problems facing West Bengal Municipalities (31.3.73); (ii) Municipal Budget (7.4.73); and (iii) Master Plan (12.5.73) and two discussions on "CMDA—its organization and activities" and another on "Management of Industrial Township". These seminars and discussions were well attended by representatives of the state government and urban local bodies. The Centre also organized a study visit for trainees to the Government of India's Urban Health Centre in order to acquaint them with the measures that are being taken to improve bustees in urban areas.

BOOK REVIEWS

ANALYSIS OF PUBLIC SYSTEMS; EDITED BY ALWIN W. DRAKE, RALF L. KEENEY AND PHILIP M. MORSE, The MIT Press, Cambridge, Mass., 1972, pp. 532, Price: \$ 14.95.

The book under review is one of the first attempts to gather together some experience in the use of systems analysis and operations research as aids to decision-making in public systems.

Though operations research and related methods originally evolved as decision-aids for a specific type of public system *viz.* Defence in the U. S. A. and elsewhere, subsequent developments in this area have occurred mainly in the context of private sector decision making. Consequently, there is a relative scarcity of reported research for formal decision-analysis in public systems. The present collection is a commendable effort to restore the balance.

A brief scrutiny of the studies selected will persuade the reader about both the wide applicability and impressive versatility of formal decision-analysis as an aid to policy makers in public systems. On the other hand, the book suffers from an acknowledged restriction in coverage. Since the editors have drawn mainly from the effort of analysts at M. I. T. and the New York Rand Institute, the selections cannot be considered a fair sample of work done in this area even in the U.S.A.

The initial six chapters are relatively non-technical and are intended, primarily, to motivate the reader for what follows. In these chapters policy-makers from within the system as well as researchers in public-systems analysis draw attention to the major uses, as well as some of the knotty conceptual and operational problems, of formal decision analysis in public systems.

The following nine chapters are devoted to micro-level decision-analysis in public systems. Analysis of three urban emergency services *e.g.* Fire Service, Ambulance Service and Police Emergency-call Service and an analysis of inventory policies in Blood Banks constitute the most interesting exercises in this section.

The analysis of all three urban emergency services, two of these specifically undertaken in New York City as constituents of the overall city government program to introduce the PPB control system, are restricted to large city situations. The objective being an improvement of service levels, the models used are mostly queuing models though, in one case, integer programming and Markov processes were also used to derive answers to complex problems. Unfortunately, the models and the exercises have been reported only very briefly, such that it is difficult to assess the validity of assumed probability distributions and values of parameters. One test of efficacy, however, is the fact that in some cases the formal analysis resulted in decisions which significantly improved the service levels.

The Blood Bank inventory policy analysis uses an inventory model belonging to the particular class where field life of a product varies with the age of stockpile. This phenomenon is particularly important for blood since it has a shelf life of only twenty-one days.

The exercise generates trade-offs between shortages and outdating for different inventory-policies and highlights the much greater efficiency of a common-inventory

policy for all blood banks in a city as compared to isolated inventory policies for individual sources without any inter-hospital transfer arrangements.

The other studies in this section cover decision-analysis for inventory control in libraries, the efficient use of runways, the operation of a Post-Office mailing service which can be approximated by a Markov-process and a driver accident model where alternative distributions are used to predict accident patterns with a view to aiding accident restriction and insurance policies.

The micro-level studies are followed by five studies of large systems. These chapters also represent a methodological departure from the earlier chapters where queuing models, inventory models and Markov-processes served as the basic analytical tools.

Two contributions in this section are of special interest for behavioural and political scientists. The first is a study of the total criminal justice system where Blumstein and Larson have used a probabilistic analog of steady-state linear models to study the cost economics of the entire system. The basic flow variable used in the model is a seven element vector corresponding to seven different types of major crimes. Later the model is modified, by introducing rearrest probabilities, into a feedback model for formal analysis of the recidivism (rearrest) phenomenon and for evaluating alternative policies of the criminal justice systems towards reducing the incidence of recidivism. The other contribution is a less formal study reporting on the Citizens Feedback system which has been tried in Puerto Rico.

Two more studies attempt to come to terms with the problem of pollution. In one study mathematical programming models are used as decision aids for improving water quality. The typical problem is one of finding the least-cost policy

for a stated level and patterns of waste removal. Extensions of linear programming have been used where the criterion function assumes a non-linear form. The other pollution study is an attempt to evaluate Government decisions concerning air-pollution in terms of a set of stated objectives. The analytical tool used in this case is the assessment of a joint probability distribution of several effectiveness indices. For generating the distribution, a Monte Carlo simulation procedure was used. The remaining macro-level study is a report by Robert N. Grosse on his experiences with the introduction of the PPB control system in the Department of Health, Education and Welfare in the United States.

As with the micro-level studies, the studies on large systems seem to be more concerned with giving the reader a feel for systematic analysis of decision-making in public systems rather than informing him in depth about the structural properties and conceptual validity of the specific models used or the data that was available.

Other studies in the selection include two on education *viz.* teaching process and university planning and one on airport development in Mexico.

A word about what the book fails to offer. In terms of analytical methods, the selection is heavily weighted in favour of queuing models, inventory models, Markov processes and related techniques as opposed to the different classes of mathematical programming. Even less forgivable is the almost total omission of any application of network analysis. It is difficult to believe that this bias in selection reflects the actual patterns of application of operations research methods for public systems analysis. In terms of the areas of application represented, the selection concentrates on infrastructure building and social overhead construction rather than production activities in public

systems. Perhaps these omissions were inevitable since the collection has been drawn almost entirely on the effort of only two small teams of analysts located in the U.S.A.

Nevertheless, the book remains a useful selection on the application of formal decisions analysis to public systems.

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AN ANNOUNCEMENT

Since its first appearance at the end of 1969, *Nagarlok* has been patronised by the municipal authorities, academic organisations, social scientists and others. We, in our turn, are trying our best to cater to the needs of our clients through the different features of the journal. At this stage, we shall be grateful if our readers could let us have their opinion about the coverage of *Nagarlok*. Should there be more articles of a particular type? How useful are the reportings on judicial decisions? Are the news items on urban problems serving any purpose? These and other related questions can be raised only by the readers whom the journal is expected to serve. With a view to improving the quality of *Nagarlok*, we are looking forward to the readers to tell us in what specific ways the contents and coverage of the journal can be modified and presented.

NAGARLOK

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July-September, 1973

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EDITORIAL

The 9th Conference of Municipal Corporations held at Hubli (Mysore) on August 11, 1973, discussed a number of important subjects relating to Municipal Administration. In his presidential address the Union Minister for Works and Housing stressed the importance of cities as nerve centres of political, economic, educational and developmental activities, and sought the cooperation of the city administrations in successfully implementing the scheme of environmental improvements of the cities. In this connection he also emphasised the need of an integrated approach to 'urban development'. The Mayors took this opportunity to draw attention to the problem of supersession of municipal bodies. One of the Mayors remarked that while the Corporations and the Mayors were being urged to help in solving civic problems, as many as fourteen out of thirty-two Municipal Corporations in the country did not have people's representatives.

No doubt, the supersession of municipal bodies poses a problem for municipal democracy itself. We are not going to probe into the various causes that generally lead to municipal supersession. Possibly this is not the ideal way even to achieve the desired objective, namely, municipal efficiency. But what surprises one is a general lack of in-depth thinking about how Municipal Administration can be made more efficient. The responsibility to initiate such thinking lies as much in the State Governments as in the municipal authorities. Since the State Government is slightly away from the actual theatres of municipal activities, one would expect the States to take the lead in identifying basic problems in municipal administration in close collaboration with the municipal authorities. Ultimately, the search for a more effective and efficient municipal administration has to be a joint one where the States and the Municipal Authorities must work hand-in-hand in a bid to offer to the citizens as good an administration as possible. Certainly the current practice of intermittently taking over municipal bodies by the State Governments is not going to solve the problem. At best this is a temporary palliative. What is needed instead is a long-range policy for the resuscitation of municipal authorities, especially, in the bigger cities which are inhabited by the bulk of our urban population.

—Editor

TURNOVER TAX AND LOCAL AUTHORITIES

The levy of turn-over tax has been under consideration of a number of state governments in recent years, as a substitute to replace octroi, that is, tax on the entry of goods into a local area. In this connection attention may be invited to the Rajasthan Sales Tax (Amendment and Abolition of Octroi) Bill, 1969, which is still to be enacted. An Octroi Inquiry Committee in Gujarat, which submitted its report in January, 1972 made detailed recommendations about the substitution of octroi by a turn-over tax.¹ The Maharashtra Government and a few other states have also been contemplating some such variants. The Surat Municipal Corporation suggested for the consideration of the Eight Conference of Municipal Corporation held at Bombay in October 1971, certain additional sources of revenue for municipal corporations including—“Turnover Tax” which could be “levied on the production, sale and distribution of production in a city.” The Conference decided,² among other things, that “the National Centre for Training and Research in Municipal Administration may be requested to examine the feasibility of allowing the Corporation to levy turn-over tax in their areas.”

The Nature of Turnover Tax

Indirect taxes on goods and services can be looked upon as two distinct types—those on commodities and the other on transactions involving transfer of goods through the process of distribution. The former are termed as customs and excise duties or octroi and terminal taxes and the latter belong to a variety of sales or purchase tax, value-added tax and a general turnover tax. Both the categories of taxes add up to the price of goods and services ultimately paid by the consumers. Nevertheless while custom duties, excise and octroi constitute distinct levies under separate legal provisions, the turnover tax, the sales tax, etc., belong to a common family of taxes with variation only

●
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¹ *Report of the Octroi Inquiry Committee, 1970*, Gujarat, 1972, Chapter 9.

² Resolution No. 5.

in the manner of assessment and collection and single or multiple point levies at uniform or differentiated rates. Even in the Constitution of India the turnover tax stands included in the provision of Entry 54 of the Seventh Schedule—List II (State List) which reads :

“Taxes on the sale or purchase of goods other than newspapers subject to the provisions of entry 92A of list I”

Entry 92A in the Union List assigns to the Central Government the power to levy such taxes in respect of inter-state trade or commerce.

The Continental Types

The earliest instance of a turnover tax was the *Cascade* tax introduced in Germany in 1918, which has continued with slight adjustments.³ It applies at all stages of production and distribution including the retail stage. It is thus a multiple-point tax “charged in full at each stage by reference to the whole value of taxable goods or services supplied at that stage”. The tax thus enters into costs of production and distribution at each stage and the tax element has a cumulative effect on the final prices of goods delivered for consumption. The tax encourages verticle integration of producer’s firms and even elimination of some stages of distribution to cut out the tax costs. On the other hand it has been possible to keep the rates low from 1½ to 4 per cent.

In France also a similar tax was levied from 1920, known as the transactions tax. But in the post war years during 1953-55 the French evolved a *value-added tax*, which is also a multi-point tax but is charged only “on the increase in value at each stage of production and distribution. Value added is determined by subtracting

the cost of taxable goods from the selling price at each production and distribution stage”.⁴ Once the tax paid at previous stage was made deductible, the tax at each stage was levied on the value added at that stage and the total tax paid at the various transactions would add up to the same amount as when it were levied at the final stage, on the total retail price at the same rate, as a single point tax. France, however, continues to have separately a tax on the turnover of retailers and self-employed artisans and craftsmen, which, because its proceeds are payable to local authorities, is known as *la taxe locale*.⁵ The sale or purchase tax popularly so called in the USA and UK is a single point tax on sales for consumption. The rates in respect of both the value-added tax and the single point tax are very much higher with much greater differentiation varying from 15 per cent to 25 per cent, or even higher when levied at the single wholesale level in Britain.⁶

The Indian Perspectives

In India also turn-over tax is a part and parcel of the sales tax systems. Turn-over tax tends to be distinguished from sales tax as being collected not on each sale but on the aggregate of sales—and being imposed on the generality of goods passing through a dealer, that is, his turnover. In practice it is only with reference to the returns of taxable turnover that the dealer’s liability for the amount of sales tax payable is determined. For instance Section 3 of the Rajasthan Sales Tax Act, 1954, lays down that “every dealer whose turnover in the previous year in respect of sales or supplies of goods exceed” (a) in respect of importers and manufacturers, Rs. 5,000; (b) certain producers’ cooperatives—Rs. 25,000; and (c) other dealers—Rs. 20,000,—“shall be liable to pay tax

³ *Report of the Committee on Turnover Taxation, 1964*, HMSO, London, pp. 12-13.

⁴ Sharp and Sliger, *Public Finance* (Revised Edition) 1970, p. 288.

⁵ *Report of Committee on Turnover Taxation*, HMSO, London, 1964, p. 19.

⁶ John F. Due, *Sales Taxation*, Routledge and Kegan Paul, London, 1957, pp. 204-206.

under this Act on his *taxable turnover*.” The returns required to be filed also require details of a gross turnover as well as of taxable turnover with break-up giving the amount taxable on the various goods at different rates.⁷ Similar provisions existed in the Bombay Sales Tax Act, 1959, as well as in some other states. In some states the term used is “taxable quantum” as distinct from gross turnover, which has generally been defined in different Acts as follows :

“ ‘turnover’ means the aggregate of the amount of sale-prices received or receivable by a dealer in respect of the sale or supply of goods or in respect of the sale or supply of goods in the carrying out of any contract.”⁸

Any refunds for goods returned or discounts allowed need not be included.

Rule 44 of the Rajasthan Sales Tax Rules, lays down that a dealer liable to pay tax under the Act, may, if he so chooses, collect the tax from the buyer in addition to the sale price but every such dealer is required to issue proper bill or cash memo showing the sales tax charged separately and to maintain necessary carbon copies in bound books and other records, etc. Section 21B of the Act (inserted by an Amendment of 1963) requires every dealer with a turnover exceeding Rs. 50,000 to maintain such a record for each sale of value exceeding rupees ten.⁹ It is clear that the dealer is liable to pay tax on the basis of his turnover of sales of various tax articles at the prescribed rates, no matter whether he collects the tax from the purchasers or not. On the other hand the dealer cannot hold back any amount collected by him as sales tax from his customers.

It will thus be seen that turnover tax is akin to sales tax in its operation, and

the two are hardly distinguishable in matters of scope, yield, tax burden and incidence when the turnover is related to specific commodities with their differentiated rates. On the other hand, turnover tax can be different from, what is called Sales Tax, in one or the other or a combination of the following circumstances :

- (a) it may be levied on the gross turnover. *i e.*, turnover of goods not covered by sales tax;
- (b) it may carry a low uniform general rate either exclusively or in addition to the rates of sales tax; and
- (c) it may be multipoint while sales tax may be levied at one or two points; or it may be imposed exclusively on retailers' goods turnover while sales tax may relate to wholesale transactions.

It may be mentioned, however, that even Sales Tax can be a multiple-point levy as it usually was in the earlier stages. For instance in Tamil Nadu the Sales Tax levy is a combination of a single point tax and a multiple tax. There is a single point tax on certain specified items at the point of first purchase, first sale or last purchase combined with a multiple tax at 1 per cent on agricultural produce and 2½ per cent on turnover of other goods.¹⁰ In any case a levy of turnover tax either exclusive or overlapping, ultimately operates in the same manner as the Sales Tax and the two are but two faces, as if, of the same coin.

The Rajasthan Proposals

It will be useful to analyse, in the light of the above, the implications of some of the proposals for imposition of turn-over tax presently under consideration of the state governments, purely as a measure to replace octroi. The Rajasthan Sales Tax (Amendment and Abolition of

⁷ Form No. S. T. 5 under Rule 25 of the *Rajasthan Sales Tax Rule*, 1955.

⁸ Sec. 2 (t) of the *Rajasthan Sales Tax Act*, 1954.

⁹ Sec. 21B, *ibid*.

¹⁰ *Report of the Sales Tax Inquiry Committee (Gujarat)*, 1967, pp. 254-55.

Octroi) Bill, 1969 seeks to levy turnover tax by inserting a new Section 5G in the Rajasthan Sales Tax Act 1954 which partly reads as follows :

(1) Every dealer

(a) who is liable to pay tax, under any other provision of this Act, or

(b) who deals in specified goods, shall pay tax in the case of dealers falling under clause (a) on the taxable turn-over, in addition to the tax payable under any other provision of this Act, and in case of dealers falling under clause (b), on the turnover of specified goods; at such rate, not exceeding two per cent, as the State Government may, by notification, fix in this behalf.

(2) The tax under sub-section (1) on the turn-over of specified goods shall be payable at the first point in the series of sales by successive dealers.

(3) The provisions of sub-section (1) shall have effect notwithstanding anything contained in Section 4 :

Provided that the rate so fixed in respect of any particular class of taxable turn-over shall not exceed one-fourth of the rate applicable thereto under any other provision of this Act:

Provided further that the total tax payable under this Act on the sale or purchase of declared goods as defined in the Central Sales Tax Act, 1956 (Central Act 74 of 1956) shall not exceed three per cent of the sale or purchase price thereof.

The term "specified goods" according to the amending bill means goods mentioned at serial 18 of the Schedule to the original Act reproduced below :

"18. All cotton fabrics, rayon or artificial silk fabrics, woollen fabrics, sugar, and tobacco, as defined in the Additional Duties of

Excise (Goods of Special Importance) Act, 1957 (Central Act 58 of 1957).

Handloom cloth, and pure silk fabrics manufactured in Mills and Power Looms."

The proposed turn-over tax as distinct from the sales tax already levied has the following features :

(a) it is proposed to levy an additional rate on the present taxable turn-over, not exceeding two per cent subject to the limit of 25 per cent of the existing rates of sales tax;

(b) additional items as specified above and those covered by the Central Sales Tax Act, 1956, are sought to be included as such items are not subject to octroi but outside the purview of sales tax legislation by the States under the Constitution. The rate limit for goods covered by Central Sales Tax Act is 3 per cent.

The limit of 25 per cent of the sales tax rates is based more or less on the estimate of the total yield from octroi being about one-fourth of the yield from sales tax. This could be covered by imposing a surcharge of 25 per cent on sales tax or by increasing the rate of the sales tax itself by 1½ to 2 per cent in so far it concerns the goods covered by the state's taxable turnover. The turnover tax for local bodies as a substitute for octroi, however, gives the basis for approaching the Central Government in respect of (b) above.

The Gujarat Report

The Gujarat Octroi Inquiry Committee also worked out the details of a levy of turnover tax for the substitution of octroi. The Committee found that in 1969-70 the sales tax receipts amounted to Rs. 54.6 crores as compared to the total yield from octroi which was Rs. 13.4 crores so that a 25 per cent surcharge on sales tax would make up for the abolition of octroi. The Committee did not consider such a course as desirable because—"first the rate of surcharge is very high;

secondly surcharge will not cover items like sugar, tobacco, textiles, etc., which are not liable for sales tax in view of the agreement in this behalf between the Government of India and the state government, though these items are subject to octroi. Items on which octroi is levied but which are exempted from sales tax under Schedule-I of the Gujarat Sales Tax Act, 1969, also will not be covered by a surcharge on sales tax."¹¹ The Committee went on to consider the levy of a single point or a multi-point turnover tax or a combination of both but decided in favour of a turnover tax in keeping with the sales tax structure in the state on grounds stated as follows:¹²

"The advantages of a multi-point turnover tax are that the rate of taxation can be kept low and its incidence will also be spread out. Thus, it may not affect any particular section of trade and industry adversely. On the other hand, from the point of view of the business community, a multi-point turnover tax will not be desirable because it will necessitate maintenance of accounts and submission of returns to the Sales Tax Department by those who are at present not required to submit such returns..... A significant attraction of the system of the turnover tax which is collected at a single point or at two points is that it will be in tune with the existing sales tax structure, and, thus, will be convenient for the sales tax machinery as well as the business community to operate. In view of this, the Committee consider that the best alternative to octroi is to levy a turnover tax at differential rates which is collected at a single point or at two points in tune with the current sales tax system. In other words, the stages of collection may be the same as in the case of sales tax."

The Committee recommended the raising of the requisite amount to cover loss from abolition of octroi by a combination of the following:¹³

- (i) turnover tax at 1 per cent on goods subject to Gujarat Sales Tax;
- (ii) turnover tax on certain goods exempt from Gujarat sales tax at 1 per cent and $\frac{1}{2}$ per cent on food-grains, vegetables and fruits;
- (iii) turnover tax of 1 per cent on sugar and textiles, including rayons, and 2 per cent on tobacco;
- (iv) turnover tax of $\frac{1}{2}$ per cent on goods covered by the Central Sales Tax Act, 1956.

The pattern is almost the same as for Rajasthan with the difference that the Gujarat Committee extended the tax to some exempted categories. As regards (iii) and (iv) the concurrence of the government would of course be necessary.

The Feasibility of a Municipal Turnover Tax

The conclusion, therefore, is inescapable that turnover tax and sales tax are but variants of the same levy and the administration of the two nominally different taxes has the same channels and terminals. This tax in India has during the last twenty five years come to occupy a dominant place in the revenue of the state governments, which have developed a machinery of its own for the administration of this tax. It is unlikely that the state governments would agree to vest parallel powers of taxation, under this category of revenue, in the local authorities. The Gujarat Committee did consider the possibility of a municipal sales tax, a municipal surcharge on sales tax, a municipal turnover tax and also a

¹¹ *Report of the Sales Tax Inquiry Committee, (Gujarat), 1967, p. 83.*

¹² *Ibid.*, p. 84.

¹³ *Ibid.*, pp. 86-87.

municipal tax on tobacco, textiles and sugar. Its conclusions were :¹⁴

"A municipal sales tax or any of the variants of the same may introduce wide disparities in the rates

Secondly, the manner in which the trade transactions are distributed as reflected in the number of dealers at different places, works out to the advantage of bigger urban centres as against smaller towns. Thus, in any municipal sales tax, the smaller urban centres and rural local bodies will stand to lose... Thirdly, the introduction of the municipal sales tax or any of its variants would involve a lot of unnecessary administrative and paper work for the business community who will have to maintain different returns for different local bodies and keeping their accounts in a multiplicity of patterns. There may be traders and firms having branches in different local bodies and for such firms maintenance of accounts will become very difficult. The possibility of multiple branch firms taking advantage of variations in the sales tax rates for manipulating the accounts cannot also be ruled out. In the view of the Committee, therefore, municipal sales tax or a municipal surcharge on sales tax or a municipal turnover tax including a municipal sales tax on tobacco, textile and sugar is not desirable."

There can be no two opinions about the undesirability of municipal authorities administering the same field of taxation. This can lead to duplication and wasteful expenditure on collection and assessment as also a source of harassment to the dealers. There can, however, be certain conditions in which it may be possible to operate a municipal turnover tax such as :

- (a) if the state and municipal fields were exclusive of each other. For instance the state tax may be at the first point and be applicable to wholesale dealers while the re-

tail trade may be reserved to the local bodies;

- (b) there may be a general low rate of tax on gross turnover in which the local bodies may be allowed to levy a rate subject to a maximum of say one per cent. It should not be necessary for the dealers to submit separate returns to the local body but the tax may be paid on the basis of returns submitted to and accepted by the sales tax officer.
- (c) local bodies may be allowed, subject to a maximum limit of say two per cent, fixed by state government, to impose a turnover tax on that payable by dealers, having their business in the area of the local body, on the basis of the taxable turnover submitted to the Sales Tax Department.

The arrangements suggested above will give the option of levying turnover tax in their specified limits to the local body and at the same time avoid any inconvenience or extra work to the dealers and there need be no duplication of records, etc. It may even be possible for this turnover tax being collected along with the sales tax and paid to the local body concerned after deduction of say 5 per cent as collection charges. The instances given are illustrative and there could be other alternatives that could be adopted.

As far as the principle of a levy of turnover tax for municipal purposes is concerned, it stands accepted, for whatever reasons, as is evident from the two concrete cases of Rajasthan and Gujarat. Other state governments are also considering similar measures, if only to implement the policy of abolishing octroi. The state governments are, however, reluctant to give the power of levying the tax to local bodies. There is also the contention that such a turnover tax as a substitute of octroi may favour large commercial centres and the smaller local bodies may not be able to make up the loss of octroi. The

¹⁴ Report of the Sales Tax Inquiry Committee (Gujarat), 1967, p 82.

Gujarat Committee on octroi, therefore, favoured a state-level tax to be distributed in proportion to the receipts from octroi enjoyed by various local bodies. But if the issue of turnover tax were de-linked from octroi, the question would not arise.

In conclusion, therefore, it may be said that a turnover tax for municipal purpose is a feasible proposition subject to certain administrative arrangements.

Even if powers of levy and collection are not given directly to the local bodies, the state governments can levy the tax for distribution among local bodies on some such basis as origin or population or allocate part of the levy for promoting local development and meeting deficiencies in civic amenities. This should be equally applicable to local bodies in states, where octroi is not levied, for the much needed augmentation of relatively limited resources of urban local bodies.



STATE CONTROL OVER MUNICIPALITIES IN BIHAR

●
BHOLA PRASAD SINGH*

The classical concept of state control and supervision over municipal bodies has undergone much change in recent times. Their relationship is being increasingly viewed more as a partnership than a competition between two mutually antagonistic structures of State power.¹ This view has found eager adherence in the developing countries of Asia and Africa.² Consequently, the meaning of the term 'control' has changed and it is designated more as 'Central service to local authorities' and 'Cooperation.'³ This urgency of change in the outlook of the governments of developing countries has come about on account of several factors. Firstly, developing countries are basically rural in character and urban settlements and cities in many of these countries are relatively recent. As such the need for control in terms of partnership and service is greater than the doctrinal concept of control, supervision and intervention. Secondly, the urge for basic human needs of food and clothing, housing and other items is more pressing than the bare promises made to the people by their leadership. Thirdly, there are such problems as widespread illiteracy, poor communication, geographical isolation and cultural differences which make the job of the government most difficult. Finally shortage of public revenue and personnel

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¹ Commenting on the concept of partnership, Mr. Hsueh writes : "... indeed national development is not likely to succeed without a genuine partnership between the two. An analysis of the present state of local government reveals basic weakness and modernisation is necessary in the interest of the efficiency and development", *International Social Science Journal* (UNESCO, 1969, Vol. XXI), p. 45.

In U. S., the Commission on Inter-governmental Relations rejected both the 19th Century concept of inherent right of local bodies for self-government and Dillon's rule that local government is a creature of state and a convenient subdivision of the same. While rejecting these two extreme views the Commission held that both state and local governments are partners for the welfare of the citizen. See, R. B. Das, "State Supervision and Control," *Nagarloka*, Vol. II, No. 4.

² Commenting upon this aspect of the problem Ursula Hicks writes : "The need for central supervision and control is obviously greater in developing countries than to technologically advanced countries where government systems are relatively recent in origin, where the electorates are largely illiterate, local leadership is undeveloped and inexperienced officials are untrained... and financial position of local authorities is extremely unstable". Ursula Hicks : *Development from Below : Local Government and Finance in the Developing Countries of the Commonwealth*, (Oxford : The Clarendon Press, 1961), p. 28.

³ A recent seminar held by a U. N. Agency comes to the conclusion that "although the term 'control' means supervision and control, the general attitude towards the application of control may change to such an extent that it can also be properly considered a central service". *Report of the Seminar, organised by the International Union of Local Authorities* (The Hague, 1962), p. 257.

seriously handicaps public administration.⁴ These are some of the causes which call for a closer cooperation between local and state governments.

II

The system of control and supervision in the states of India is based on the old concept of fault-finding and intervention. This becomes apparent when we examine the methods and tools of control exercised by the state government over the municipalities in Bihar. In so doing we shall find that the spirit of partnership and cooperation is missing and Dillon's rule of local government's subordination is faithfully exercised. Thus the relationship that obtains between state and local governments in Bihar is paternalistic rather than cooperative.

The methods of control are four-folds: legislative control, administrative control, financial control and judicial control. The forms of control in Bihar, and in other states of the Indian Union, largely depend on the legal basis of the municipalities. Urban local government does not derive any power of authority directly from the Constitution. As for rural-local self-government, the fourth chapter of the Constitution which deals with 'Directive Principles of State Policy' expressly directs the state governments to establish and promote panchayat in rural areas. But in the case of urban local government, the Constitution is silent. Entry Five of the State List in the VIIth Schedule of the Constitution empowers the state governments to legislate on the constitution and powers of the urban local bodies.⁵ Thus the urban local bodies are, in fact, the creatures of state government.

Legislative control⁶ is exercised in several ways, but two of them are the most

important. Firstly, the municipalities are authorised under the Act to frame bye-laws. This is perhaps to satisfy the demand of local autonomy as much as to relieve the legislature of detailed legislation. These bye-laws are made strictly according to the model rules prepared by the state government. Secondly, in certain specific matters the state government frames rules and regulations for all municipalities. For example, the Bihar and Orissa Municipal Act of 1922 empowers the state government to frame rules relating to matters of preparation, sanction, revision and publication of budget expenditure and disbursement of the expenditure. Besides this, the state government frames rules in other financial matters also, viz., rules regarding the application of the municipal funds, keeping of accounts and periodical audit, rules for the regulation and preparation of budget estimates, rules for the retention of working and closing balance, etc. Further, it can frame rules to control the powers of taxation of municipality, i. e., to fix the qualification of assessor, to prescribe the form of application with regard to the notice of demand and warrant, etc.

Administrative control is exercised very strictly by the state government. There is no decision of a municipality that cannot be reviewed by the state government. For example, the municipalities are required to submit periodical and annual reports of their work. The proceedings of the council and committees are sent to the government for review and examination. In matters of appointment, the state government exercises strict control. The first and second grade of municipal employees consisting of the Executive Officer, the Health Officer etc. are either directly appointed by the state government or are deputed by the same from

⁴ A. H. Alderfer : *Local Government in Developing Countries* (New York : McGraw Hills Book Company 1964), Chapter IX, p. 172.

⁵ S. N. Jain, "Legal Basis of Municipal Government," paper read at the seminar at the Indian Institute of Public Administration, New Delhi on May 7-8, 1970, on the subject of "State Machinery for Municipal Supervision".

⁶ The author seems to be meaning by 'legislative control' the powers of the executive over the legislating capacity of municipal authorities—EDITOR.

other services of state. For the clerical staff there is selection committee consisting of the Chairman, the Executive Officer and a Councillor. The appointments made by this Committee require the approval of the state government. The functional departments of other ministries of the state government also control the powers of appointment of municipalities. The case in point is the appointment of the Sanitary Inspector in consultation with the Health department. This form of control may tend to be drastic in certain circumstances, *i.e.*, in case of delay, default, inefficiency, malpractices and political bickerings in the municipal administration. These are essentially corrective measure and are usually applied with a certain degree of vehemence which may result in suspension of the resolution of the Council. In case of chronic inefficiency and delay, even supersession of the municipal Council is not ruled out

Financial control by the State government manifests itself in the sanctioning of proposals of taxation, budget, and the power of borrowing. In some states, all types of budget require the sanction of the government. In the case of municipalities in Bihar only the rules of budgeting are required to be observed and the state government ensures that it is actually observed in practice. But in the case of indebted municipalities, their budgets are compulsorily put before the state government for sanction. So far as audit and accounts are concerned in some states there is a separate authority like Examiner of Local Fund. In Bihar, this is done by a senior officer of the department of Accountant-General preferably an Assistant Accountant General, who is called Examiner of Local Accounts. This official makes an annual examination of municipal accounts and prepares a report for the purpose of submission before the state government. In respect of borrowing power, the state government exercises its control cautiously. The municipality has to state the aims and objects in full and send it to the state government. Although

grants-in-aid are considered to be a help given to the municipality, they are an important non-statutory media of controlling and channelling the activities of local bodies everywhere. Even in the absence of other powers of control, the state and central government lay down a variety of conditions which include matching contribution or at least financial liabilities on local government. Other kinds of financial control are exercised through the control of investment of surplus municipal fund. A local authority can invest surplus fund only in such scheduled banks as are specified by the government. Moreover, no expenditure can be incurred by a municipal body for which no provision is made in the statutes unless the state government declares it to be an appropriate charge on municipal fund.

Judicial control may take two forms :

- (a) it can be exercised against municipality at the instance of the citizen; and
- (b) it can be exercised against state government at the instance of the municipality.

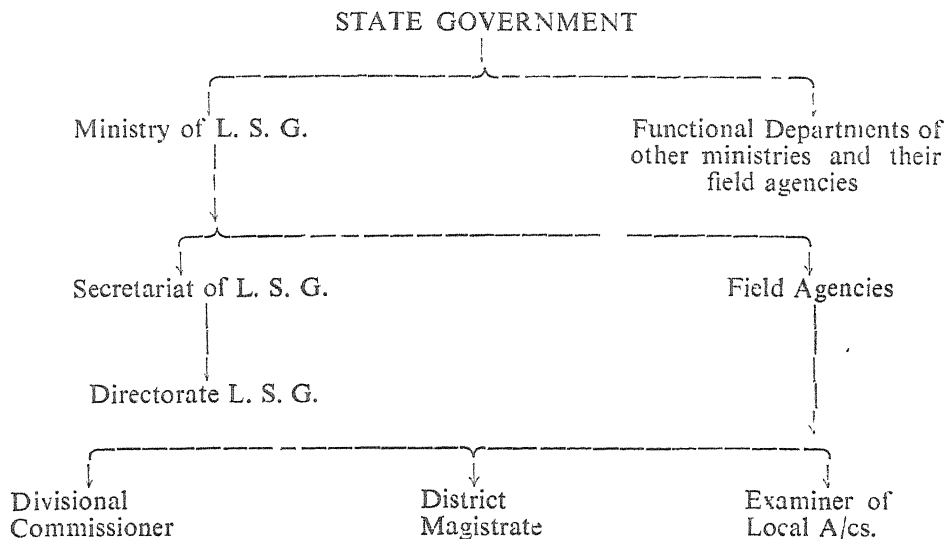
The view that it can be exercised against the municipality rests on the assumption that municipality is a corporate body with the power to sue and be sued. Moreover, though it is created by the state, it is not a part of that government and as such it cannot claim the privileges that are enjoyed by the state government. Their actions are, however, subject to judicial review if they conflict with the fundamental rights of the citizens, as the expression "state" in Part III of the Constitution includes local authorities also. As to legal status of municipalities, they can be sued and their bye-laws can be annulled by the court if they do not conform to the statutes. Giving a judgment in a similar case, the House of Lords observed—"whereas the High Courts have been empowered to issue all kinds of writs to safeguard the fundamental rights of the individuals against local

authorities, the courts also interpret local laws and declare *ultra vires* these laws.”⁷

So far as the judicial action at the instance of the municipality is concerned, the scope of this power is limited. In administrative matters the courts cannot take action against the state government if it interferes wrongly or rightly in municipal affairs, because the municipal Acts give vast power to the state government. But in the case of suspension, supersession and dissolution, the courts can check the state government on the ground that they are quasi judicial steps. The case of supersession is definitely quasi-judicial, because the manner of its use so suggests. In Bihar the power of supersession is usually exercised upon the report of the Collector or the Director of Local Bodies. After the receipt of the report, the state

government demands a show cause reply from the municipality. Then it usually makes an enquiry through the Divisional Commissioner or the Collector. After the enquiry, it takes the final step, which is usually a notice of supersession.

The state government in order to exercise its control over municipalities adopts two types of agencies in two different forms : first, directly through the Secretariat (the L. S. G. Deptt.), the Directorate of L. S. G., and its allied branches. Indirectly, this is done through some field agencies like the divisional and district administration headed by Divisional Commissioner and the Collector, Examiner of Local Accounts and through the various functional departments of the different ministries. The chart below shows a complete picture of the agencies of control :



The Ministry of Local Self Government is a unifunctional department headed by a Minister of cabinet rank. The department has a Secretary, an Additional and a Deputy Secretary and a Director of Local Bodies. These officials work in a hierarchical order. The Directorate is a

branch of the department of the L. S. G. The department of the L. S. G. is the repository and main channel of state control over local bodies, both urban and rural. The importance of the department of L. S. G. can be gauged from the fact that unlike its counterparts in other states

⁷ Judgment of the House of Lords in the Case of *Ridge v. Baldwin* (1964) A. C. 40.

it is independent and a separate department altogether. Legislative, financial and administrative controls are exercised directly by the department or the ministry of L. S. G. The powers are felt directly by the municipality because the Directorate of Local Bodies is merely its subordinate organ and has only inspectorial powers. All the field agencies of the government exercise the power of control on behalf of the department of L. S. G., and as such their inspection reports are directly sent to the department for final consideration and necessary action.

The Directorate in Bihar is just a pale shadow of its counterparts in other states of India. Almost all forward-looking states of India have established their own independent Directorates of urban bodies, but Bihar has still to do it. Before 1958, there were senior and junior Inspectors of Local Bodies who were the agents of the state government for the purpose of inspection, supervision and control of the municipality. These Inspectors used to make periodical visits and inspections. Their reports were considered important by the department of L. S. G. In 1959, the post was abolished. As regards the post of Director, it is of the rank of an Additional District Magistrate who works under the control of the Department of L. S. G. So far as the powers and functions of the Director are concerned, he exercises all those that were formerly exercised by the Inspectors of Local Bodies. There is a separate section in the Directorate dealing exclusively with Panchayati Raj. There is no such section dealing with urban-local bodies. In all those states where separate Directorate of urban-local bodies have been established, the powers of Divisional Commissioners and District Magistrates have waned but in Bihar their powers have increased. The power of control in the different towns is exercised by the different officials of Divisional Administration. But by far the most important official for purpose of control is the District Magistrate.

The powers exercised by the Commissioner, the District Magistrates and other

Magistrates subordinate to him, may be divided into three broad heads, *viz.*, supervisory, law-enforcing and remedial. Under the first category, most of the powers are exercised by the District Magistrate which are by nature supervisory and routine. The District Magistrate as "eyes and ears" of the state government exercises control in a number of ways. For example, he receives application from the tax-payers or residents of a particular area for the purpose of formation, withdrawal, abolition and division of municipalities, and is the sole authority for the purpose of preparing electoral roll. It is entirely for the District Magistrate to consider whether or not the electoral roll of Assembly constituency is suitable for the municipal election. No one has a right to ask for the preparation of separate electoral roll. The District Magistrate is responsible for calling upon all the wards to elect councillors. He is also responsible for the fair and peaceful conduct of municipal election. For this purpose, he appoints a Magistrate to act as a Returning Officer with full powers of arbitration in the matters of dispute in relation to election. After the end of election, the District Magistrate causes the name of successful candidates to be published in the official gazette.

The second category of powers makes the District Administration the sole law-enforcing body of municipal bye-laws, rules and regulations. The municipality, being a corporate body, has some quasi-judicial powers also but very few of them are exercised directly by the municipality. For example, if a defaulter of municipal taxes tries to evade the action taken against him by the municipality by showing that he has no immovable property within the municipal area for attachment, then the municipality applies to the District Magistrate for the attachment of his property which lies outside the municipal area. The District Magistrate on receipt of the application declares the sum due against the defaulter, a public demand under the Bihar and Orissa Public Demands Act of 1914 and orders for the

attachment of his property. He helps the municipality in controlling and searching the inflammable and hazardous material through detection, seizure and sale of these materials and also by prosecuting the offenders. Similarly, it helps the municipality in detecting the unlicensed vehicles plying within the municipal area. Over and above these powers, the District Administration acts as a watch-dog of municipal rules and regulations. The Police Department informs the municipality of the breach of the rules and regulations and arrests the offenders. The power of the police can be delegated by the District Magistrate to an employee of the municipality whose salary is not less than Rs. 100 per month. These are conveniently used as means of control also.

Finally, the District Administration exercises the power of control on behalf of the state government to regulate the functions of the municipality. These powers are repressive in nature, although to a great extent justified. The District Magistrate has power to inspect or to get the inspection done by any subordinate authority of the immovable property of the municipality. He can also inspect and interfere in the progress of any undertaking of the municipalities by calling for the relevant document in this connection. He can stop any work undertaken by the municipality and can also suspend the resolution of the Council if there is sufficient proof to show that it will lead to breach of peace. The District Magistrate reports the matter to the state government with his reasons for doing so. If the state government accepts the pleas, the resolution of and work by the Council can be stopped finally. Similarly, as an agent of the state government the District Magistrate can try to rectify the defects of the erring Council by prescribing a time-limit for the work of the Council if it shows the sign of default. If the Council persistently defaults in its work, the District Magistrate reports the matter to the state government which may result in supersession of the Council.

After independence, many amendment Acts passed by the state legislature have given more powers to the District Administration. The amendment Act of 1965 established the post of Executive Officer in the municipality resulting in the creation of a few agents of the government. The Executive Officer is serving as 'the eyes and ears' of the state government and works in a dual capacity : first he is the head of the executive branch of the municipality exercising executive powers as laid down in the municipal Act of 1965; secondly, he is also an agent of the state government by virtue of his being a man of the State Civil Service. As an agent of the state government, he becomes a link between the state government and the municipality.

Then there is the Examiner of Local Accounts, who is a senior officer of the Department of the Accountant-General of Bihar. The state government has delegated its power to him to exercise on its behalf, financial control over municipalities in Bihar. The Examiner makes an annual inspection of municipal account and submits its reports to the department of L. S. G. for appropriate action. The field agencies of many of the functional departments of the state government also serve as agents of the state government for the purpose of control over municipalities in Bihar. In the sphere of education, the teachers of primary schools are appointed by the municipality, yet they are subject to the control of the Inspector of Schools who serves as field agent of the department of education. Similarly, the Superintendent of Water Works is subject to the inspection of the Superintendent of Public Health Engineering. Again, the Health Department of the Municipality is partly controlled by the Civil Surgeon and partly by the Health Officer. This duality is mainly because of the fact that Bihar has no independent Directorate of Local Bodies.

III

Thus the view that municipal government has had a vegetative existence in the

shadow of District administration,⁸ still holds good. What adds to this problem is the fact that neither the people nor the Government is satisfied with the form, the nature and the quantum of control. The Government wants to devise new means. The people judge the standard of municipal administration by the services rendered to them. The people are generally indifferent to the usefulness of municipal administration. They accuse both the municipality and the government. Thus, in spite of the powerful means of control, the state government has failed to correct the municipal administration in Bihar. The net result of this is that on the one hand the state government often uses repressive and punitive measures like supersession and suspension and, on the other, the municipality like a stupid child learns nothing and forgets nothing. Moreover, the machinery of control is also defective which adds further problems. For example, the model rules prepared by the state government are forwarded to municipalities to serve as guidelines for the purpose of uniformity and technical soundness, but there is no uniformity in the bye-laws of various municipalities. A close study of the bye-laws reveals that model rules are more honoured in their breach than in their application. This frustrates the real aim behind the rule-making power delegated by the state government. One of the main objective of legislative control is to direct municipalities to prepare bye-laws according to the needs and aspirations of the residents. But this is seldom fulfilled. The purpose of administrative control is, likewise, to remove the malpractices in municipal administration. But this purpose has not been achieved and municipalities are now places of corruption, nepotism and inefficiency. This has resul-

ted in the adoption of extreme measures like supersession by the state government. But the experience shows that neither popular rule nor the rule of special officer during supersession brings relief to the people. Bhagalpur Municipality, for example, has been superseded several times. It was superseded in 1938 on the ground of maladministration leading almost to bankruptcy.⁹ It was superseded second time on the grounds of financial breakdown caused by inordinate extravagance by the municipal authorities.¹⁰ It has again been superseded in 1971. The supersession period in both cases was rather long. The moral is that supersession is not an adequate remedy, muchless a panacea. Similarly, in the field of financial control too the defects are many. The sanctioning of the budget and raising of the loan depends on political pressures of the municipalities. Usually those municipalities, which are controlled by a political party, which controls the state government also, receive the favourable attention of the state government. Other municipalities controlled by men of different political parties usually suffer. This favouritism kills the initiative of municipal administration. Again, the reports of the Examiner of Local Accounts are also not taken seriously either by the state government or by municipalities.

A few suggestions with a view to improving the present system of state control will not be out of place. The establishment of a full-fledged Directorate of municipal administration¹¹ will be the first step in the right direction. Commenting on the needs of a full-fledged Directorate, the Rural-Urban Relationship Committee observed : "a well-organised Directorate at state level with effective regional staff should go a long way towards improving

⁸ Haridwar Rai, "Background Study of Panchayati Raj," *Indian Journal of Political Science*, December, 1966.

⁹ Bihar and Orissa Extra-Ordinary, Gazette, 1938.

¹⁰ Notification No, M/E/-/02/55-1033-C, L. S. G., dated 17th November, 1955.

¹¹ For a detailed study, see Mohit Bhattacharya, *State Directorates of Municipal Administration*, New Delhi, Indian Institute of Public Administration, 1969.

the system of direction, supervision and control of local bodies."¹²

This does not entail any change in the organic law but will be easily done through the delegation of powers.¹³ It is because of this that the powers of the Directorate have not been defined even in those states where it is working as an independent body. Nevertheless, a universal feature of Municipal Acts in India is that the state governments have retained in their hands considerable powers and authority. The Directorates of Municipal Administration have been the direct legatees of these state powers.

It is believed that a Directorate will relieve the Secretariat from excessive workload and it will also free the municipal administration from being merely an unimportant branch of the government.

Secondly, the system of Inspectorate of Local Bodies needs to be revived,

though the old ethos should disappear. Inspection should be by informed and enlightened officers. Hence the real need is to recruit properly qualified and trained inspectors.

The system of control and supervision in respect of municipalities is old-fashioned, archaic and bureaucratic. It has not allowed the growth of municipal autonomy and has been on the contrary hostile to it. It is felt that the old system should give way to one of partnership and mutual understanding. In this connection the establishment of some kind of a central organisation seems to be imperative for fostering the growth of a new municipal government system. Such an agency will serve as a guide to the municipalities in the solution of their current problems and will also act as a coordinator.

¹² *Report of the Rural-Urban Relationship Committee* : (Ministry of Health and Planning), Vol. I, Paragraphs 11 to 14, 1966.

¹³ see Mohit Bhattacharya, *ibid.*, p. 18.

COST- BENEFIT ANALYSIS

"Economy is a distributive virtue and consists not in saving but in selection. . . ." (Edmund Burke). Indiscrete saving may be as harmful as an inappropriate selection of expenditure. To make an optimal use of the limited resources, selection of projects and programmes on the basis of their outputs (benefits) and inputs (costs) is an essential pre-requisite. Scarcity of financial resources is a principal constraint in the public sector. Government policies can be determined most effectively, if rational choices are made among alternative courses of action with full knowledge of benefits and costs of each alternative. Cost-benefit analysis (CBA) technique has been developed for use in the public sector in an attempt to provide better solutions to the problems of resource allocation. It is a methodological approach to public investment decision-making, which is closely analogous to the methods of investment project appraisal used in the business sector.

The most significant decision problem confronting a governmental organisation involves the allocation of resources in an optimal fashion to meet the physical, social, political, cultural, etc., needs of the community. Under the present conditions, public decision making process is input-oriented. The analysis of objectives and alternative methods of achieving these objectives is based on inputs rather than on other things. CBA provides the basis for the development of a decision-making process which is output-oriented and considers the impact of resources rather than resources themselves. Output measures are converted into benefits. The aim of CBA is to assist in rational approach to resource allocation based on consideration of all the relevant costs and benefits. This approach has two distinguishing characteristics :

B. N. GUPTA*

1. At least as much attention is given to listing and valuing the benefits from government investment projects as to the calculating the cost of the project. That is, instead of

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considering that a particular road or bridge should be constructed at a minimum of cost, attention is also given to whether the benefits are sufficient to justify the cost incurred in construction or not.

2. CBA usually involves a rigorous and sound analytical technique that has been used in public investment appraisal so far.

The technique of CEA has greater relevance in the public sector, because like private sector there is no price or market mechanism. An individual producer can sell his products to consumers willing to pay their market price. Persons who choose not to purchase the product do not enjoy its use. Public goods have the characteristic of non-excludability, *i.e.*, there is no possibility to exclude anyone from enjoying the benefits of the good or service, once it is provided. The defence or police protection or street lighting can not be provided on the basis of pricing their use. In private sector the profit or loss accounting approach guides the investment decision making. Nature of government is such that it cannot use this approach. For example, a private industrialist building a factory chimney or opening a bar is concerned with the financial cost he incurs or profits he reaps. He is not concerned with the fact that the smoke of chimney imposes costs to nearby residents (by way of higher laundry bills or medical bill) because he does not have to incur them. The bar may create nuisance to the residents, he may ignore such things so long his profits are unaffected. But the goal of decision-making in the public sector is expressed not in terms of private profit or loss, but in terms of social benefits or disbenefits. He has to take into account out-of-account costs and benefits also.

The most widely quoted definition of CBA is that of Prest and Turvey given

in their well-known survey article in the *Economic Journal* :

"Cost-benefit analysis (alternatively christened investment planning or project appraisal) is a practical way of assessing the desirability of projects, where it is important to take a long view (in the sense of looking at repercussions in the further as well as the near future) and a wide view (in the sense of allowing for side effects of many kinds on many persons, industries, regions, etc.) *i.e.*, it implies the enumeration and evaluation of all the relevant costs and benefits."¹

Thus the concept of benefits and costs is wider than normally conceived by private investment decision-maker. It is that all costs and benefits associated with an activity should be measured in terms of their value to the economy as a whole and not merely in terms of monetary receipts and payments which accrue to the person undertaking it.

The principal conceptual approaches of CBA are :

1. Maximise benefits for given costs. This may be called 'fixed budget approach'. It is like building the highest pyramid with a given number of bricks. It entails cost-benefit analysis.
2. Minimise costs while achieving a fixed level of benefits. This may be called 'fixed benefits approach'. It entails cost effectiveness approach.
3. Maximise net benefits, *i.e.*, Benefits minus costs should be the maximum.

The CBA involves :

1. Determination of policy objectives.
2. Identification of costs and benefits.
3. Measurement of costs and benefits.
4. The effect of time on investment appraisal.

¹ Prest, A. R. and Turvey, Ralph, "Cost-Benefit Analysis—A Survey", *Economic Journal* (1965–December), pp. 683-735.

5. Determination of decision criteria.
6. Presentation of results.

In any CBA analysis, the first and most important task is to discover what the decision-maker's policy objectives are, and how to measure the extent to which these objectives can be achieved by various alternatives available. The ascertaining of policy objective facilitates the identification of costs and benefits that are to be taken into account.

A cost is any resource input into a programme and a benefit is any desirable impact arising from the operation of the programme. Cost may be direct or indirect. Direct costs are those incurred by the agency in question while indirect costs are borne by other agencies. Similarly direct benefits are those desirable effects accruing directly to the groups towards which a programme is aimed at, while all other desirable effects of the programme are indirect benefits. It may be pointed out that 'sunk costs' or 'past cost' are not relevant in decision-making, because they are the results of past decisions. These guidelines will help in identifying the costs and benefits of a programme.

Measurement of costs and benefits, specially of indirect ones, presents some difficulties. There will be certain costs and benefits which can be measured in money and many may not be convertible into monetary units. This problem can be solved by classifying costs and benefits into the following categories :

1. Costs and benefits which can be directly measured in monetary terms.
2. Costs and benefits which can be evaluated in monetary terms by using 'shadow price'.
3. Costs and benefits which can be quantified in non-monetary terms.
4. Costs and benefits which cannot be quantified

Enlisting costs and benefits in such a fashion, will help the analyst to have a comprehensive total view of them.

Money has time value. In a project funds are invested now to get benefits in future at different points of time. A sum of Rs. 100 is more valuable now than a year hence. This phenomena necessitates finding the present value of future benefits. For this a rate of discounting has to be found out. Determining the correct rate for discounting public investments is the most controversial issue. One possibility is to apply the long term borrowing rate of the government. Another suggestion may be to use a 'social time preference rate', which means government's judgment about the relative value which the community as a whole is believed to assign, or which the government feels it ought to assign, to present as opposed to future consumption at the margin. Some suggest adoption of opportunity cost rate of interest. This rate reflects the cost of precluding other investment opportunities as a result of undertaking a particular project or programme. The final possibility may be combining social time preference rate with opportunity cost rate.

The criteria for selecting a project or programme must be decided before hand. The major criteria for selecting a project may be :

(A) Net Benefit Criteria

According to this criteria, the present value of benefits to be received over the project's life should be more than the present value of investment. Symbolically

$$\frac{b_1 - c_1}{(1+r)} + \frac{b_2 - c_2}{(1+r)^2} + \frac{b_3 - c_3}{(1+r)^3} + \dots + \frac{b_n - c_n}{(1+r)^n} - K > 0$$

Or

$$\sum_{t=1}^T \frac{b_t}{(1+r)^t} > \sum_{t=1}^T \frac{c_t}{(1+r)^t}$$

(B) Internal Rate of Return

Internal rate of return is that rate which equals the present value of the future benefits to the present value of investment. If the IRR exceeds the chosen rate of return, the project is to be selected. Symbolically :

$$\frac{b_1 - c_1}{(1+r)} + \frac{b_2 - c_2}{(1+r)^2} + \frac{b_3 - c_3}{(1+r)^3} + \dots + \frac{b_n - c_n}{(1+r)^n} - K = 0$$

(C) Benefit Cost Ratio

If BC ratio is equal to or exceeding one, the project is to be selected Symbolically :

$$\frac{\frac{b_1}{(1+r)} + \frac{b_2}{(1+r)^2} + \frac{b_3}{(1+r)^3} \dots \frac{b_n}{(1+r)^n}}{\frac{c_1}{(1+r)} + \frac{c_2}{(1+r)^2} + \frac{c_3}{(1+r)^3} \dots \frac{c_n}{(1+r)^n} + K} \geq 1$$

(D) Annual Net Benefits

If it is desired to find out the annual net benefits of a project or programme, this can also be done. The formula for this is :

$$b = \frac{B_0 i (1+i)^T}{(1+i)^T - 1}, \quad c = \frac{C_0 i (1+i)^T}{(1+i)^T - 1}$$

If a project costs Rs. 1000 and benefits are of Rs. 100 for 20 years and the rate of discount is assumed at 5%, then the present value of annual :

$$\text{benefit} = \frac{1246.2 (0.05) (1.05)^{20}}{(1.05)^{20} - 1} = 100$$

$$\text{Cost} = \frac{1000 (0.05) (1.05)^{20}}{(1.05)^{20} - 1} = 80.24$$

$$\text{Net annual benefit} = 100 - 80.24 = 19.76$$

$$\text{Benefit Cost ratio} = \frac{1246.2}{1000} = 1.246$$

(Note : In the formulas :

$b_1, b_2 \dots$ = benefits received at different points of time

$c_1, c_2 \dots$ = costs incurred at different points of time

r = rate of discount

K = Investment made initially

b = annual benefits

c = annual costs

B_0 = Present value of benefits over project's life time

C_0 = Present value of cost over projects' life time

T = Time period

i = rate)

CBA is a quantitative approach to the decision-making in the field of public expenditure. There is no doubt that the method is not yet ripe, it has its technical and conceptual difficulties, but a decision

has to be taken, if one is not prepared to use such rational methods which are available or could be easily developed, how he proposes to proceed with the problem? 'For some type of public decisions the tools we have are sharp, for the other blunt and for other non-existent. But the problem do not go away because tools are not perfect and we must use techniques as are available to reduce the area of purely intuitive judgment in complex matter of choice.'

In spite of the shortcomings, the CBA helps the decision-maker in making a better choice. It may not tell about the absolute merit of a project, but certainly it can tell the relative merits of alternative projects. The analysis will increase the amount of information available to the decision-maker. CBA makes comparison of different alternatives. It stimulates the decision maker to search for relevant alternatives. Such an exercise may help in discovering socially worthwhile options that could have gone unnoticed under rule of thumb method, as Prest and Turvey point out, "an important advantage of a cost-benefit study is that it forces those responsible to quantify costs and benefits as far as possible rather than rest content with vague qualitative judgment or personal hunches."² Further, CBA, "has the very valuable by-product of causing questions to be asked...which would otherwise not have been raised."³ Its results may encourage discussion, which will help in assessing merits and demerits of different proposals.

The technique has certain shortcomings also. CBA rarely gives a final answer. It will determine the optimal mix of government programme only to the extent that the analysis satisfies a set of rigid requirements, but it cannot guarantee an optimal solution. Due to conceptual and practical difficulties, the application of CB decision rule does not provide unique solution.

² Prest, A. R. and Turvey, Ralph, "Cost Benefit Analysis—A Survey", *op. cit.*

³ *Ibid.*

However, the objective of CBA is not to make choice, but help in making it. It is not a substitute of decision-maker, its job is only to generate more relevant information so that a better decision can

be made. Its results should be supplemented by value judgment of the decision maker so as to reduce the likelihood of gross errors resulting from misuse of CBA framework.



THE DISSOLUTION OF THE SAMALKOT MUNICIPALITY— A CASE STUDY

●
G. MALLIKARJANAYYA*

The Samalkot Municipality which was established in 1956 is situated in the East Godavari District of the State of Andhra Pradesh and it consists of a population of 81,924¹ with an area of 3.5 sq. miles. It is a centre for business as well as Politics. It has been declared a 'Third grade Municipality'² by the Government of Andhra Pradesh. The purpose of the study is to make an objective analysis of the dissolution of the Municipality.

On 12th August 1968 nine Councillors of the Samalkot Municipality brought some irregularities to the notice of the Minister for Municipal Administration and also the Director of Municipal Administration. They were (1) salaries of the staff of the Municipality were not being properly disbursed and were kept in arrears for months together, (2) municipal funds were diverted without meeting its primary expenditure such as salary etc. and money was being spent extravagantly for installation of tube-lights by effecting purchases without calling for tenders and not entrusting the work to the Electricity Department, and (3) wasting municipal funds towards rents by retaining a municipal market No. 2 on a private site.

On 13th October 1968, some of the Municipal Councillors submitted a petition to the Minister for Municipal Administration to restrict the Chairman of the Municipality from wasting the municipal funds and gifting public properties. Their allegations were, (4) violating Building Rules and granting sites acquired for a specific purpose *viz.*, for location of a bus-stand to the Yuvajana Vyayama Kalasala, and (5) withdrawing the weight lifting set granted to the 'Bhimeswara

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¹ As per 1961 census.

² There are five types of Municipalities in Andhra Pradesh, *viz.*

1. 'Third grade municipality', 2. 'Second grade municipality', 3. 'First grade municipality', 4. 'Special grade municipality', and 5. 'Selection grade municipality'. The Government have classified the municipalities on some grounds, mainly on the income of the municipality. 'Third grade municipality' means a municipality with an annual income of not more than rupees three lakhs.

Municipal Vyayama Sangam of Samalkot' and giving it to the 'Yuvajana Vyayama Kalasala' constituted by the members of the Chairman's group.

On 30th November 1968, some of the Councillors of the Municipality brought to the notice of the Minister for Municipal Administration some grave irregularities and commitments by the Chairman and the Council for the benefit of his party and party members. Their allegations were, (6) Building Rules were violated while granting permission to his party members and licences were refused to those who did not belong to his party, (7) wasting municipal funds towards unnecessary legal expenses, (8) keeping the Minutes Book of the Municipal Council and the Executive Committee with the Chairman and not making it available to the Councillors for perusal when required, (9) location of an Elementary School in ward No. 1 in a house belonging to a Municipal Councillor who belonged to the Chairman's party and payment of enhanced rent from Rs. 12 to Rs. 30 and (10) non-furnishing of replies to interpellations given by the Councillors.

On 25th December 1968, a Municipal Councillor addressed a letter to the Regional Director of Municipal Administration, Northern Range, pointing out some irregularities of the Chairman and the Council for necessary action. Some of the defects he pointed out were (11) seniority list of Public Health Staff was not being maintained and appointments were made overlooking seniority according to the whims and fancies of the Chairman, (12) Secondary grade teachers from Elementary Schools were transferred to High Schools and *vice-versa* overlooking the seniority, (13) an Upper Division Clerk, on expiry of leave, was transferred to Rajahmundry Municipality and his leave salary was not paid, (14) leave salary of the Sanitary Inspector was not paid. Leave application was not forwarded to

the competent authority and he was not admitted to duty on the expiry of leave on reposting, (15) tenders for supply of tube-lights were not invited (16) the Council resolved to meet the legal expenditure of the individual Councillors from the municipal funds, (17) the Chairman was issuing eviction notices in respect of encroachments made by people who did not support him in the election and that no action was taken by encroachers belonging to his party, (18) discrimination shown by the Chairman in the matter of issue of licences, (19) disqualifying the Councillors in the absence of valid grounds.

On 25th October 1969, a Councillor requested the Minister for Municipal Administration to take action against the irregularities of the Municipality.

On 20th October 1970, 24th April 1971, and 12th July 1971, the President, Town Congress Committee, addressed a letter to the Chief Minister requesting him to take immediate action against the Chairman for misuse of municipal funds and abuse of powers.

On 27th July 1971, Samalkot Rate Payers' Association communicated a letter to the Minister for Municipal Administration requesting him to stop misuse of municipal funds and abuse of Municipal office by the Chairman and his group for political ends.

The allegations against the Chairman and the Municipal Council filed by the Municipal Councillors and the organisations had been enquired into by the Director of Municipal Administration and they were as follows* :

1. They were not being paid regularly as the financial position of the Municipality was not sound. The Chairman had made no attempts to improve the finances of the Municipality and he resorted to avoidable expenditure. It can be

*Allegations are not repeated here but the corresponding numbers are given.

stated that the Chairman had failed to realise his responsibilities in the discharge of his duties as the Chairman of the Municipality.

2. The Chairman had failed to fix priorities in undertaking the works. Enormous expenditure incurred on lighting by purchasing tube-lights could profitably be used on other statutory obligations which were of higher priority. The said purchases had dragged the Municipality into litigation as the Chairman could not make payments in full. Thus, the Chairman had failed to discharge his duties as required of him.
3. The Chairman had shown reluctance on his part to shift to the newly constructed market to the extent the work had been completed. This is another instance to show that the Chairman was responsible for mishandling of the case.
4. The Municipal Council had given 10 cents of land to the Yuvajana Vyayama Kalasala out of 70 cents of the land acquired for the purpose of the construction of the bus-stand. The Executives Committee permitted the construction of a building and the Vyayama Kalasala constructed a compound wall around the building which was not specifically sanctioned by the Executive Committee. The Chairman was responsible for having transferred 10 cents of the land intended for the construction of the bus-stand and also without the approval of the Collector as required of such transactions whose value is less than Rs. 10,000. The action of the Executive Committee in granting permission for the construction of the building without the completion of the necessary formalities and not taking action against the institution for construction of the compound wall around the building without its specific permission was highly irregular.
5. Although the Council was competent to transfer the articles from one association to another did not mean that it should take arbitrary decisions without assigning proper reasons. This charge was levelled both against the Chairman and the Council.
6. The Chairman should not have issued the permissions to his party members violating the Building Rules.
7. As the Matter is *subjudice* it is difficult to state that the Chairman was responsible for wasting the municipal funds.
8. The allegation was not held proved against the Chairman.
9. The Chairman was partly responsible for the allegation and the Municipal Secretary was completely responsible.
10. The interpellations should be answered in the very next meeting of the Council but, in this case, they were brought before the Council after a period of 2 months. They were not explained clearly by the Chairman. He was, therefore, held responsible for the irregularity.
11. It was a vague one and hence dropped.
12. It was held proved against the Chairman.
13. It was the Municipal Secretary and not the Executive Committee, who should have sanctioned the leave

and arranged for his leave salary. The Chairman was not held responsible for this allegation.

14. It was found that the leave sanctioning orders issued by the Director, Medical and Health Services, were not communicated to the Sanitary Inspector and hence his leave salary was not paid. The orders of the Director, Medical and Health Services, reposting him to the same Municipality where he was working prior to his leave, were also not implemented. Thus, both the Chairman and the Secretary were responsible for the grave irregularity.
15. There was no irregularity.
16. The action of the Chairman in footing the bill from the municipal funds in defending the writ petitions and appeals against the individual Councillors was highly irregular.
17. The allegation was far from truth.
18. The alleged discrimination was not established against the Chairman.
19. The charge against the Chairman could not be sustained.

The Government having got the allegations enquired into, issued a show-cause notice³ to the Chairman stating that there had been wilful omission to comply with and violation by him to the provisions of the Act⁴ and the rules made thereunder in respect of the following items :

- Item 1. The salaries of the staff of the Municipal Council were not being disbursed and were kept in arrears for months together.

Item 2. Municipal funds were diverted without meeting its primary expenditure etc., and money was being spent extravagantly for installation of tube-lights by effecting purchases without calling for tenders and entrusting the work to the Electricity Department.

Item 3. The Chairman and his party members in violation of rules granted site acquired for a specific purpose to the Yuvajana Vyayama Kalasala.

Item 4. Westing the municipal funds towards rent by retaining a municipal market No. 2 on a private site.

Item 5. Location of an Elementary School in ward No. 1 in a house belonging to a Municipal Councillor who belonged to the Chairman's party and payment of rent from Rs. 12 to Rs. 30 per month to the Councillor.

Item 6. Non-furnishing of replies to interpellations given by six Councillors.

Item 7. Secondary Grade teacher from Elementary School was transferred to High School and *vice-versa* overlooking the seniority.

Item 8. The Chairman did not permit the Councillors to peruse the records despite four applications.

Item 9. Frequent transfer of staff were made without the Secretary's note with a view to threaten them and bring them into his group.

Item 10. Withdrawal of weight lifting articles from the Bhimeswara Yuvajana Sangam and handing them over to new Yuvajana Vyayama Kalasala.

In exercise of the powers conferred by the Act, the Chairman was requested to

³ Government of Andhra Pradesh, Health and Municipal Administration Department, letter No. 3368/F1/68-24 Municipal Administration, dated 24-6-1971.

⁴ *The Andhra Pradesh Municipalities Act, 1965.*

explain the above items within a period of 30 days from the date of receipt of the show-cause notice as to why action should not be taken for his removal.⁵

As it appeared to the Government that the Municipal Council had committed illegal and irregular acts and persistently made default in performing the duties imposed on it by and under the provisions of the Act, the Government directed the Council to show-cause within a period of 30 days from the date of receipt of the second letter⁶ as to why it should not be dissolved⁷ on the following grounds :

Item I. On an application dated 1st January 1968 made by the President of the Yuvajana Vyayama Kalasala, the Council resolved⁸ to grant 10 cents of site acquired for the bus-stand without the approval of the Collector as required under the rules. The Vyayama Kalasala constructed the permanent building and the compound wall all around the site though in the resolution it was said that the transfer was temporary. The action of the Executive Committee in granting permission for the construction of the building without the completion of the necessary formalities and not taking action against the institution for construction of the compound wall around the building without its specific permission was highly irregular. The Municipal Council and the Executive Committee was responsible for the grave irregularity.

Item II. The Municipal Council resolved⁹ to meet the legal expenses of the individual Councillors in the writ petitions and election suits filed on the Coun-

cillors. The Municipal Council had nothing to do with the election suits. The action of the Municipal Council in footing the bill from the municipal funds in defending the writ petitions and suits against the individual Councillors was highly irregular and showed its utter disregard of the financial interests of the Municipality.

Item III. On an application dated 17th September 1962 made by the President of the Bhimeswara Weight Lifting Association, Samalkot, the then Commissioner and Special Officer, supplied one body building set with two steel rods and two double rods of steel costing Rs. 200 in addition to the weight lifting set previously supplied by the Municipality and the Association had been using them till they were taken out and given away to Yuvajana Vyayama Kalasala. The Council on a petition dated 1st January 1968 received from the Yuvajana Vyayama Kalasala resolved¹⁰ to hand-over the weight lifting set etc. to them. The mere fact that the transfer of such articles was within the competence of the Council did not mean that the Council should take arbitrary decisions without assigning good and sufficient reasons.

The Chairman convened a meeting on 29th July 1971 at 4.30 p.m. to consider the show-cause notices. Ten Councillors moved that the meeting be postponed as the meeting was irregular and copies of the show-cause notices were not supplied to them.

On 29th July 1971, the Chairman submitted his reply¹¹ to the Government for

⁵ As per the provisions of sub-section (1) of section 60 of the *Andhra Pradesh Municipalities Act, 1965*.

⁶ Letter No. 3368/F1/68-25 Municipal Administration, dated 24-6-1971.

⁷ Under sub-section (1) of section 62 of the A. P. M. Act, 1965.

⁸ Resolution No. 281, dated 19-2-1968.

⁹ Resolution No. 348, dated 4-12-1968.

¹⁰ Resolution No. 275, dated 30-1-1968.

¹¹ Council resolution No. 50, dated 29-7-1971.

their letter. He requested the Government to withdraw the show-cause notices issued to the Chairman and the Council, in view of the resolution¹² passed by the Council. He said the Government superseded the Municipality in 1960, appointed a Special Officer to the Municipality and the Government conducted the elections in 1966. He further said that the allegations made against him and the Council were of no vital importance and could not by any stretch of imagination be regarded as irregularities. The Chairman gave the replies to the show-cause notices and they were as follows¹³ :

Item 1. He said that almost all the Municipalities had failed in the prompt disbursement of salaries at one time or other in a year and this position was more due to non-receipt of grants from the Government than anything else. He said the financial position of the Municipality was very bad in the regime of the Special Officer. He said that the Municipality, in his regime, put forward a number of suggestions for augmenting its financial resources but the Government did not accept them. He said neither the Chairman nor the Council was concerned about non-payment of salaries.

Item 2. He said that it was during the Special Officer's regime that proposals for provision of fluorescent lights were sanctioned and tenders also were invited for purchase of lights. The Municipality, after he assumed the office, had taken steps to provide market and lay roads. He stated that the charge was unfounded.

Item 3. He said that the Municipality gave a portion of land which was acquired to provide the bus-stand, to the Yuvajana Vyayama Kalasala which

was a registered body of Youth Association, without either transferring the title over the site and without leasing out the site also and it had stipulated the condition that the site should be handed over to it whenever required by it and it would be taken back if the site was used for any other purposes. The Executive Committee had approved the plan for the construction of the building. He said the allegation was motivated on party politics as one or two persons from the Vyayama Kalasala had left it and put in a petition with the allegation.

Item 4. He said that a private site very near to the municipal market was taken on a nominal rent of Rs. 25 per month duly considering the remarks of the Municipal Engineering Department.

Item 5. He stated that enhancement of rent took place after it was duly inspected and the School was located in the house of the Municipal Councillor from a long time.

Item 6. He said the charge was vague and not sustainable.

Item 7. He said that it was a mutual transfer without overlooking their seniority. He stated that the charge was baseless and far from truth.

Item 8. He stated that it was absolutely a false one.

Item 9. He said it was the Secretary¹⁴ who transferred staff of the Municipality and not the Chairman

Item 10. He said that the weight lifting articles had been given to the new Association which was a registered one.

¹² No. 50, dated 29-7-1971.

¹³ The replies given by the Chairman are in seriatim according to the show-cause notice numbering.

¹⁴ The term 'Secretary' was changed into "Commissioner" by an *Act of Andhra Pradesh Municipalities (Amendment) Act, 1971*.

Item I. He stated that the Council had allotted the site which was lying idle to the Vyayama Kalasala under the condition that the site should be handed over to it whenever required by it and it would be taken back if the site was used for any other purpose. It was the opinion of the Council that there should be an institution for the development of health condition of the youth of the town. The new Association with donations received from the Public requested the Municipality to allot the site for the construction of the building which was sanctioned by the Executive Committee.

Item II. He said when the Municipality was impleaded as party it could not keep quiet without contesting the case. However, no expenditure was incurred by the Municipality in this respect so far. The charge, therefore, was not tenable.

Item III. He stated that encouraging the Youths' health was one of the functions of the Municipality and giving the weight lifting articles to the registered association for a bonafide purpose was not irregular.

On 31st July 1971, ten Municipal Councillors¹⁵ sent a dissenting note to the Chairman's reply to the show-cause notices to the Government. They said that the Government could not conduct the elections for 6 years¹⁶ on account of the Pakistani and Chinese aggressions. Further, they said the Chairman kept the show-cause notices secretly with him. They said the Chairman was giving false impression to the Government while defending the allegation made against him.

On 18th August 1971, a Municipal Concillor submitted a letter to the Government stating that the Chairman's reply to the show-cause notices was false and he was manipulating the things.

On 16th October 1971, the Rate-Payers' Association, the Town Congress Committee, the Congress Socialist Forum and the Small Farmers' Association of Samalkot town submitted a joint representation to the Government requesting them to take immediate steps to end the misrule of the Chairman in the interests of the public of Samalkot town and come to their succour immediately.

On 16th February 1972, the Government after considering the explanations offered by the Council¹⁷ to the said show-cause notice¹⁸ passed the following orders.¹⁹

Charge No. I. The Municipal Council had given 10 cents of land to the Yuvajana Vyayama Kalasala from out of the land acquired for the purpose of the construction of the bus-stand without the approval of the Collector. The Executive Committee permitted the construction of the building and the Vyayama Kalasala constructed the compound wall also around the building, which was not specifically sanctioned by the Executive Committee. The action was grave violation of the rules relating to the transfer of immovable properties by the Council. This charge against the Council, therefore, was substantiated and thus held proved.

Charge No. II. The writ petitions and election suits were filed questioning the elections of certain Councillors

¹⁵ They got the copy of the Chairman's reply to the show-cause notices from the Secretary on requisition.

¹⁶ 1960-66.

¹⁷ In its resolution No. 50, dated 29-7-1971.

¹⁸ Letter No 3368/F1/68-25 Municipal Administration, dated 24-6-1971.

¹⁹ G. O. Ms. No. 103, Municipal Administration, dated 16-2-1972.

while impleading the Municipal Council as one of the respondents. There was no need to defend the cases of individual Councillors whose elections were questioned. The action of the Municipal Council in having accorded the sanction for necessary expenditure to defend the cases was highly irregular and was in excess of the powers conferred on the Council under the provisions of the Act. The action of the Council clearly indicated that favouritism was shown to the party members, which was not in the financial interests of the Municipality. Hence this charge was proved beyond reasonable doubt.

Charge No. III. The action of the Council in having withdrawn the weight lifting articles from the Bhimeswara Weight Lifting Association and having given them to the Yuvajana Vyayama Kalasala was nothing but arbitrary and unreasonable action done with a view to show favouritism. The reasons given by the Council for giving the said articles to the Yuvajana Vyayama Kalasala did not hold good nor were they justified as, the Bhimeswara Vyayama Weight Lifting Association could have been got registered. Hence this charge against the Council was held proved.

Finally, the Government had taken action for the dissolution of the Municipal Council with the result that all the Councillors including the Chairman were to go out of office. The Municipal Council was dissolved²⁰ for the remaining period of its terms, i.e. upto 30th June 1972, by appointing a Special Officer to look after the administration of the Municipality till the reconstitution of the Council.

On 21st February 1972, the Chairman filed a writ petition in the High

Court of Andhra Pradesh²¹ questioning the dissolution of the Samalkot Municipality and appointing the Special Officer and it was heard on 1st August 1972.

With regard to the first charge levelled against the Council, His Lordship stated as follows :

As there had been no transfer of immovable property in this case, this rule had no application and the Government was clearly wrong in holding that the approval of the Collector was necessary under the rules.

The Municipal Council had no part to play in the grant of such permission. It cannot be said that the Municipal Council transgressed any rule when the permission was accorded by the Executive Committee to construct the building or the compound wall. His Lordship was of the view that there was no basis at all for the Government to hold that this charge against the Municipal Council was substantiated and proved.

As regards the second charge levelled against the council, His Lordship observed as follows :

It was clear from the records that the Municipal Council was also included as a party and was asked to produce documents etc. It was the duty of the Council in those circumstances to appoint an advocate to appeal on its behalf. The resolutions which authorised the appointment of a pleader and to incur expenditure in connection therewith were perfectly in order. The Government was clearly in error in holding that the resolutions were not in the interests of the Municipality and that they indicated favouritism to the party members as there were absolutely no basis for such findings.

Regarding the third charge levelled against the Council, His Lordship stated as follows :

It was admitted that the articles belonged to the Council and it could deal

²⁰ Under sub-section (1) of section 62 of the A. P. M. Act 1965.

²¹ Writ Petition No. 750 of 1972.

with them as they wanted. In the first instance, it allowed them to be used by the Bhimeswara Weight Lifting Association in 1962. Subsequently, the Association failed to get itself registered. Therefore, the Council decided to give the articles for the use of Yuvajana Vyayama Kalasala, which was a registered Association. It was also stated that almost all the members of the first Association became the members of the registered Association. His Lordship observed that he was not able to understand how the action of the Council could be said to be arbitrary or one showing discrimination. Apart from this, in his view, a step resulting in such grave consequences ought not to be taken on the basis of such a flippant charge.

Thus, the writ petition was allowed by His Lordship and He quashed the Government order dissolving the Council.

On 16th August 1972, the Government appealed to the High Court to suspend the operation of its order²² pending disposal of the writ appeal. On 17th August 1972, the High Court granted an interim stay to further probe the matter.

The period for the reconstitution after the dissolution of the Council expired on the 1st October 1972.²³ As the Government considered it desirable not to conduct elections to the Municipality till the appeal was disposed off, they further postponed the reconstitution of the Council up to 1st January 1973.²⁴ The writ appeal was dismissed as withdrawn in view of appointing Special Officers to all the Municipalities consequent on the expiry of the term of such Municipalities in the State in general and extending the term of Special Officer of the Samalkot Municipality up to January 1973.

COMMENTS

Regarding Item (4), in the first show-cause notice, the Municipality got a loan of Rs. 30,000 as long back as in 1962, for the construction of market and 22 stalls had been completed. The Chairman insisted that he would shift the market only after the other shed was completed on a site under litigation where he was expecting a decision from a court. The Chairman should have shifted the market to the newly constructed one to the extent the work had been completed. Regarding the rent payable to the owner of the private site in which the market was kept from March 1968, the rent payable to the owner of the site had not been fixed even though the owner applied for the payment of rent in August 1968. But payment of nominal rent of Rs. 25 p. m. (no matter whatever the amount may be) from the municipal funds amounts to waste of money and it should have been avoided by the Chairman. Thus, the Chairman had no good reasons to shift market only when the work was completed thereby wasting the municipal funds.

With regard to item (6) in the first show-cause notice, the notice of interpellations should be answered in the very next meeting of the Council. But in this allegation, the interpellations which were given by the Councillors were brought before the Council after a period of two months. The interpellations which related to certain irregularities were not properly and convincingly explained by the Chairman. Thus, the Chairman was held responsible for the irregularity.

Regarding item (7) in the first show-cause notice, the Headmaster of an Elementary School was transferred to High School as Secondary Grade Assistant and a Secondary Grade Assistant in the High School was transferred as Headmaster of an Elementary School as per

²² In Writ Petition No. 750/72 dated 1-8-1972.

²³ G. O. Ms. No. 563 Municipal Administration, dated 30-6-1972.

²⁴ G. O. Ms. No. 732 Municipal Administration dated 29-9-1972.

the order of the Chairman and the Executive Committee ratified his action. These transfers are not permissible as the units (schools) are separate. Moreover, the Chairman has no authority to transfer the municipal staff under the provisions of the Act. It is, thus, observed that the Chairman without competence and in utter disregard and violation of the Rules, transferred a Secondary Grade Assistant from a Secondary School to an Elementary School and *vice-versa*.

If the resolutions are not found to be in order, the authorities competent under the provisions of the Act can either suspend or cancel the resolutions. But no such thing was done. It may be pointed out in this connection that it is up to the Secretary to bring the irregular resolutions passed by the Council and the Executive Committee to the notice of the Government who either can suspend or cancel them. It does not seem to have been done by the successive Secretaries in the office. The irregular resolutions were not brought earlier to the notice of the Government. They had come to light only through petitions submitted by the Councillors. The Secretaries, it seems, had thus failed to discharge their responsibilities in not bringing the irregular resolutions to the notice of the Government.

The Chairman called a meeting on 29th July, 1971 at 4.30 p. m. to consider the show-cause notices and the notice of the meeting was given to the ten Councillors who belonged to the opposition group in the Council on 28th July 1971 after 8 p. m. Usually, three clear days' notice is required to hold a meeting,²⁵ but the Chairman did not follow it. The Councillors of the Chairman's group knew sufficiently in advance of holding the meeting but the councillors of the opposition group were not given sufficient time to think over the vital issues raised in the show-cause notices. Moreover, the Chairman did not show the show-cause

notices to the Councillors till the time of the meeting. Generally, the reply to the show-cause notices is to be sent within 30 days of the receipt of the same. But the Chairman conducted the meeting at the fag end of the time to avoid severe criticism from the opposition group. Thus, the Chairman had failed to realise his responsibilities in the discharge of his duties as Chairman of the Council.

The Samalkot Municipal Council consisted of 24 Councillors. Twelve Councillors belonged to the Congress party which was the opposition party in the Council and the remaining 12 including the Chairman belonged to the Communist party. Two seats belonging to the opposition party fell vacant, but no bye-election was held for the two seats for more than 8 months. Under the law, no casual election will be held to fill a vacancy that arises within 3 months before the date on which the term of office of the Councillors expires and such vacancy will be filled at the next ordinary elections.²⁶ It may be inferred that the Chairman had not evinced keen interest in the bye-elections which should be conducted by the Director of Municipal Administration, assuming the two seats would go to the opposition party.

The Chairman said that the Government superseded the Municipality in 1960 and extended the supersession period from time to time absolutely without any justification and conducted the elections in 1966. But the ten Councillors who belonged to the opposition group in the Council, in their dissenting note to the Chairman's reply to the show-cause notices to the Government said that the Government could not conduct the elections for 6 years on account of the Pakistani and Chinese aggressions. But the fact of the matter is that the Government with a view to conduct the elections

²⁵ Rule 2 (1) of Schedule I of the A. P. M. Act, 1965

²⁶ Sub-section (1) of Section 21 of the A. P. M. Act, 1965

under the Integrated District Municipalities Act²⁷ which contemplated major changes in the administrative set-up and powers etc. of the Municipalities, postponed the elections from time to time and ultimately conducted the elections in 1966²⁸. It may be said that the Chairman's allegation is far from the truth.

With regard to the first charge levelled against the Council, the Municipal Council had given 10 cents of land to the Yuvajana Vyayama Kalasala out of the land acquired for the purpose of the construction of the bus-stand. The action of Executive Committee in granting permission for the construction of the building without the completion of the necessary formalities and in not taking action against the institution for the construction of the compound wall around the building without its specific permission was highly irregular. The Chairman being the presiding officer of both the Council and the Executive Committee, should have advised against the construction of the building instead of the bus-stand. When the Yuvajana Vyayama Kalasala, a registered body of Youth Association, approached the Council for providing them the site for the construction of the building, after having raised donations, the Municipal Council, more out of its obligation²⁹ for providing gymnasias, felt that when the Association came forward with an offer to discharge one of its authorised objects of expenditure, it was but necessary to allow the Association to utilise a portion of 10 cents of land out of 70 cents of land without either transferring the

title over the site and without leasing out the site also. In the absence of either a transfer of title or a lease of the property, no outside sanction may be necessary.

Regarding the second charge, the election petitions were filed by the parties against the validity of accepting the candidature and impleading the Secretary (as an Election Officer) and the Chairman as parties. The subjects were placed before the Council to entrust the cases to the Standing Counsel and to sanction the necessary expenditure. The Council had approved to contest the cases. There were no objections at that time. Moreover, expenditure was incurred by the Council in that respect and therefore no loss was sustained. When the Council was impleaded as party, it cannot keep quiet without contesting the cases. The Director of Municipal Administration had also sanctioned necessary expenditure to defend the cases filed by the individual Councillors. The allegation that the Municipality was made to foot the bill is unfounded as no expenditure was incurred on the same from the municipal funds.

As regards the third charge, there was one unregistered body of Youth Association in the town in the year 1959-60, the Council wanted to encourage the health condition of the youths and improve the body building, etc. The Council, therefore, had purchased the weight lifting articles from the funds and this extraordinary expenditure was also got sanctioned by the Government. They were being used

²⁷ Prior to the introduction of the Integrated District Municipalities Act known as the Andhra Pradesh Municipalities Act, 1965, there were two Acts for the two regions, (viz), Andhra and Telangana in the Andhra Pradesh which is the result of the union of Andhra and Telangana areas in 1956. They were the Andhra Pradesh (Andhra area) District Municipalities Act, 1920 and the Andhra Pradesh (Telangana area) District Municipalities Act, 1956.

²⁸ See Health, Housing and Municipal Administration Department.

(a) G. O. Ms. No. 476 M. A. dated 6.4.1964.

(b) G. O. Ms. No. 909 M. A. dated 27.9.1964.

(c) G. O. Ms. No. 87 M. A. dated 25.1.1965.

(d) Andhra Pradesh Municipalities (Postponment of elections) Ordinance, 1965 which was promulgated by the Governor on 14th September, 1965.

²⁹ Under Rule 42 (b) of the Finance Rules in Schedule II to the A. P. M. Act, 1965.

by the people who had interest in the weight lifting besides by the unregistered Youths' Association. Subsequently, the Association was got registered. They had requested the Council to utilise the equipment and it permitted them. Therefore, giving the weight lifting articles to a registered Association for a bona fide purpose is not irregular.

It appears that neither the chairman nor the Government was above board. No doubt, the Chairman had committed many irregularities which should have been corrected by the Government. But the secretaries could perhaps have done more than what they apparently had done. Had they pursued the irregularities seriously, Government would probably have put the Municipality on a correct track. It seems the then Secretaries were overshadowed by the powerful political executive for more than a decade and this

might have created a gulf between the Secretary and the Government which formed an impediment to their mutual communication. Had the Secretary acted without fear or favour, the Municipality would not have been dissolved. Another important factor to be kept in mind is an unhappy combination of the Communist Party dominated Municipality and the Congress Party dominated State Government, under which the State Government have always an upper hand over the issues of the Municipality.

An order of dissolution of the Council to set right the mal-administration of the Municipality and bring it to the normal standards is an extreme step as it puts an end to the very existence of the Council. Such course which interferes with the democratic process should be adopted as a last resort and not on flimsy grounds.

FEDERAL
REVENUE
SHARING
AND
THE
CITY
OF
FORT
ATKINSON

●
YEARN H. CHOI*

This paper is a research note of where Federal Revenue Sharing stands today and how adequately a local (municipal) government is aware of this topical project.

First, the State and local Assistance Act of 1972 is examined. Answers can be derived to questions about Federal Revenue Sharing requirements and explanation of how amounts are determined at various governmental levels. Second, findings of interviews with city councilmen are exposed : "how much [they know ?]" (City is Fort Atkinson, Wisconsin Class 4 city, population 9,376 as of 1972 city census).

Retroactive to January 1, 1972 the State and Local Fiscal Assistance Act of 1972 will provide payments to states, counties, cities, villages, and townships throughout the nation. The magnitude of this act lies in the appropriations for five years, January 1, 1972 through December 31, 1976 with payments totaling \$ 5.3 billion being disbursed for 1972 and \$ 5.95 billion for 1973 (Schultz, p. 1). In 1972 Wisconsin's share will come to \$ 133.9 million (Schultz, p. 1).

Within the act are the complicated provisions for the allocation of payments. A variety of formulas are utilized to determine payments which will be available for a broad geographical area (called "allocation") and payments for individual governmental units (called "distributions").

To begin with states have the option of two formulas which determine their overall allocation. Computers are set up to run through both calculations and the states receive the larger amount. The first formula, and the one that includes Wisconsin is the *three factor formula*. This formula would base a state area's share on population times tax effort times

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relative personal income. The product of this computation is then divided by the total of the products for all states, and the area then receives that proportion of the total appropriation. The second formula is the *five factor formula*. Favouring the urban areas, this formula will be used in fewer states. The total appropriation is split into fifths and a state received that proportion of each as its factor product bears to the national total for each. The factors involved are : population, urbanised population, population inversely weighted for per capita income, state individual income tax collections, and total state and local tax collections (Schultz, p. 1).

From this point on all states use the same computation methods. Of the amount allocated to a state area under either the three or five factor formula, the state government retains one-third and the remaining two-thirds is divided among the localities. The three factor formula is computed for allocations to county

geographic areas. This formula is used for each county area and is compared to the total for all counties in the state. That share is then divided among all general purpose governments in that county. *County governments share* : First, the county government receives its own share: its distribution is equal to the proportion which its total adjusted taxes bear to the total for all governments in the county. *Town allocation* : Next, from the remaining pot all townships in the county will split an amount calculated similar to the method immediately above. *Township governments distribution* : Then of that allocation each township receives a distribution based on the standard three factor formula (each town proportionate to all towns). *Distribution to cities and villages* : Finally, the remaining funds are distributed among municipalities in the county again via the three factor formula (each municipality's product relative to the total for all cities and villages in one county) (Schultz, p. 2)

A. Among the States : (Geographic area)	$\frac{\text{state population} \times \text{state tax effort} \times \text{state personal income}}{\text{total of products for all states}}$
B. Among the Counties : (Geographic area)	$\frac{\text{county population} \times \text{county tax effort} \times \text{county personal income}}{\text{total product from all counties in state}}$
C. To the County Government :	$\frac{\text{adjust taxes of county government}}{\text{total adjusted taxes for county, and all city, village, and town governments}}$
D. Among the Towns in County : (All in county)	$\frac{\text{adjusted taxes of all town governments in county}}{\text{total adjusted taxes for county and all city, village, and town governments}}$
E. To each town government :	$\frac{\text{town population} \times \text{town tax effort} \times \text{town personal income}}{\text{total for all towns in county}}$

(Continued)

F. To each city and village :
$$\frac{\text{municipal population} \times \text{municipal tax effort} \times \text{municipal personal income}}{\text{total of product for all cities and villages in county.}}$$

A is multiplied times total appropriation for United States

B is multiplied times total local share for state.

C is multiplied times total county wide share

D is multiplied times total county wide share.

E is multiplied times total town share for county.

F is multiplied times total remaining county share.

Tax Effort Factor

For state areas :
$$\frac{\text{total state and local taxes}}{\text{state aggregate personal income}}$$

For county areas :
$$\frac{\text{county government adjusted taxes and all localities adjusted taxes}}{\text{county aggregate personal income}}$$

For cities, towns, and villages :
$$\frac{\text{town or village or city adjusted taxes}}{\text{county aggregate personal income}}$$

Personal Income Factor

For state areas :
$$\frac{\text{U. S. per capita income}}{\text{state per capita income}}$$

For county areas :
$$\frac{\text{State per capita income,}}{\text{county per capita income}}$$

For cities, towns, and villages :
$$\frac{\text{county per capita income}}{\text{city, village, or town per capita income}}$$

Now that it has been determined how much money will be distributed and how it will be apportioned there are several other questions surrounding Federal Revenue Sharing that should be answered.

Why has money been back? George Schultz stated that 1% of first entitlements and 5% of the second are to be withheld to provide the U. S. Treasury with a cushion for making corrections where they are necessary. These corrections may be the product of poor data that was gathered by the Bureau of Census.

What can the money be spent for? At the state level there are no restrictions on how its shares are spent. The wording regarding local governments is so broad to allow nearly anything. Specifically allowed is spending for: law enforcement, fire protection, sewage disposal, pollution abatement, libraries, transit systems, streets, road, health, recreation, social services for poor and aged, and financial administration, and "ordinary and necessary capital expenditures as authorized by law" (Pelton, p. 1).

What can't the money be used for? For operating expenses for schools in any type district. For school construction in any common or union district. To obtain federal matching funds for any purpose (Pelton, p. 2).

What must a local government do?

1. Must supply the Treasury and Census Bureau with the data they request.
2. File a report with the Treasury detailing how they intend to spend the money (these reports will be due annually, the first being due for fiscal year 1973-74).
3. File a report showing how the money was spent. These reports

will be annual, however, a report for the first half of calendar year 1973 will be due in July 1973.

4. Publish a notice in a newspaper of general circulation in the area showing how they intend to spend, later, how they did spend, each year's revenue sharing allocation.
5. Make these reports available to the news media.
6. Keep revenue sharing funds separate for accounting purposes.
7. Insure that prevailing wages are paid on all construction projects where revenue sharing funds account for 25% or more of the cost.
8. In no way discriminate on grounds of race, color, sex, national origin (Pelton, p. 2).

Can governments count on these funds? Yes and no. Money was withheld from the first two checks and could be again. As tax data are updated, some governments will have substantial changes made in their allocations. While it is certain that future payments will be made, the amounts are enough in doubt to warrant considerable caution in long term budgeting where revenue sharing funds are to be relied upon.

What if a government disputes the data used or the amount of its check? Procedures, as of January 16, 1973 for hearing appeals had not been established. The Treasury had stated that it is aware that some errors exist and expects that adjustments will have to be made.

Who can apply for Revenue Sharing money? Unlike most federal programmes, the Federal grants are automatic and are paid only to governments. There is

nothing in the law, however, which prohibits local governments from granting their funds or purchasing services as they see fit, within the guidelines of permissible expenditures.

When are the payments made? Checks will be mailed quarterly and should be received within 5 days after each calendar quarter.

Interview Findings

The budget message delivered on November 27, 1972 by city manager includes a rather short paragraph on Federal Revenue Sharing :

The Federal Revenue Sharing, which was discussed in my budget message of 1972, did materialize. This founding to the City is of some help but does not answer all of our problems for additional revenue. The approximate sum of \$37,040.00 does not cover the inflationary costs and is a far cry from the original amount of \$76,882.00 which was anticipated. (Budget Message, p. 3).

The findings of interviews left one with the following opinions that councilmen in Fort Atkinson were :

1. Cognizant of the amount of money involved (\$ 60,000 after receipt of second payment);
2. aware of the uncertainty surrounding the budgeting of these funds for long range purposes;
3. vaguely aware of 6% cushion that

the Treasury had established with part of their distribution;

4. unaware of what local governments must accomplish in order to receive further payments, *i.e.*, file spending and planning reports with the Treasury, furnish Treasury with census data, and other lesser requirements; and
5. uninformed as to the restrictions concerning the spending of funds or for what purposes the money could be released.

From these opinions that were formed from images presented during the interviews it was felt safe to generalize and say that the councilmen were not well informed on Federal Revenue Sharing.

In pursuit of the answer to the second part of the inquiry, the Fort Atkinson Council, which is elected at large, was in general agreement as to areas of needed improvement if they were allowed to use Federal Revenue Sharing Funds for designated purposes. The first and second choices were very close in terms of preference; they were, storm sewer improvement, street resurfacing and repair. Beyond these the councilmen wish to implement various plans that had been scheduled for 1974 and 1975. By reading over the Capital Improvements Programme for 1970-75, included in the Budget message, one can see some of the project areas that might be pursued earlier.

In retrospect then it would be beneficial to determine if any conflict existed either in philosophy or practice between the city manager or city council concerning the spending of Federal Revenue Sharing Funds.

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APPLICABILITY
OF
THE
MOTOR
TRANSPORT
WORKERS
ACT
TO
MUNICIPAL
BODIES

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In *Municipal Council Raipur v. State of Madhya Pradesh*,¹ the Supreme Court has handed down an important decision relating to the applicability of the Motor Transport Workers Act, 1961² to municipal bodies. In this case the court was confronted with the question whether the provisions of the above Act would be attracted even if the transport undertaking run by the municipal body was not engaged in any commercial activity, but was engaged only in the discharge of certain non-commercial statutory obligations. In other words, if the municipal body used the vehicles owned and maintained by it solely for the purpose of transporting night soil and other refuse of the town free of charge, in discharge of the duties imposed upon it by the governing statute, would it still come under the term "motor transport undertaking" as defined under the Act?

Before going into the details of the case, it would be appropriate to give a brief account of the relevant provisions of the Act, so as to have a clearer understanding of the principles laid down by the Court in the above decision.

The Motor Transport Workers Act, 1961 is a special legislation enacted by the Parliament in exercise of the powers conferred by Entries 24³ and 35⁴ of List III of the Seventh Schedule of the Constitution. It provides for the welfare of the motor transport workers working in the motor transport undertakings as defined under the Act and seeks to regulate the conditions of their work. It applies to every motor transport undertaking employing five or more motor transport workers. Under the Act, "motor transport undertaking" is defined to mean a

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¹ A. I. R. 1970 S.C. 1923 (The Bench was constituted by S. M. Sikri, G. K. Mitter and P. Jaganmohan Reddy JJ. Sikri J., delivered the Judgment of the Court).

² This Act will be referred to as "the Act" hereinafter.

³ Entry 24 : Welfare of labour including conditions of work, provident funds, employer's liability, workmen's compensation, invalidity and old age pensions and maternity benefits.

⁴ Entry 35 : Mechanically propelled vehicles including the principles on which taxes on such vehicles are to be levied.

motor transport undertaking engaged in carrying passengers or goods or both by road for hire or reward, and includes a private carrier.⁵ Such undertakings are required to be registered under the Act by the employer.⁶ The Act requires the employer to provide canteens in every place where one hundred or more motor transport workers are employed, rest rooms for the use of such workers, uniforms, medical aid and first aid facilities.⁷ It lays down conditions relating to the hours of work, daily intervals for rest, weekly rest etc.⁸ It prohibits the employment of children, enjoins the carrying of tokens by adolescents and provides for their medical examination.⁹ Regarding payment of wages to motor transport workers, the payment of Wages Act 1936 is made applicable and provisions are made under the Act for extra wages for overtime, annual leave with wages and wages during leave period.¹⁰ The eighth chapter provides for penalties and procedure and the ninth chapter deals with exemptions and the powers of the government to give directions, and to make rules to carry out the purposes of the Act. Section 38 in the last chapter excludes the application of the Act in relation to transport vehicles used for the transport of sick or injured persons and for the purpose connected with the security of India, or the security of a state, or the maintenance of public order.¹¹ Further, it empowers the state government to exempt any class of employers from the operation of the Act.¹²

The Act came into force in various states during February and March, 1962

as notified by the central government. It is being administered by the state governments who have been empowered to appoint Inspecting Staff for enforcing the provisions of the Act.¹³

In *Municipal Council, Raipur v. State of Madhya Pradesh*,¹⁴ the Inspecting Staff appointed by the state government under the Act, inspected the Raipur Municipal Council and found that 50 transport workers had been employed by the Council, but the Council had not been registered as required under Section 3(1) of the Act. A complaint was, therefore, filed against the Council before the Special Magistrate and Presiding Officer, Labour Court. The Council raised the following preliminary objections before the magistrate *viz*, (i) that it was not a motor transport undertaking within Section 2(g) of the Act and (ii) that it was exempt under Section 38 of the Act insofar as it used the vehicles for transporting sick or injured persons and for maintenance of public order *i.e.*, for transporting night soil and refuse of the town free of charges. The magistrate accepted these contentions and dismissed the complaint.

The State of Madhya Pradesh filed a revision petition before the Sessions Judge, but it was also dismissed. The High Court on appeal, however, held that the Municipal Council fell within the definition of the expression "motor transport undertaking" and that the vehicles of the Municipal Council did not come within the exemption under Section 38 of the Act. The Council appealed to the Supreme Court.

⁵ Section 2 (g).

⁶ Section 3 (1).

⁷ Chapter IV.

⁸ Chapter V.

⁹ Chapter VI.

¹⁰ Chapter VII.

¹¹ Section 38 (1).

¹² Section 38 (2).

¹³ Chapter III.

¹⁴ A.I.R. 1970 S.C. 1923.

The Council contended before the Supreme Court that the transport vehicles owned by it were used solely for the purpose of carrying its own property and that it was not carrying on any business but was only discharging the statutory obligations imposed upon it and as such could not be called an undertaking. In support of this contention it was argued that the word "includes" used in the definition of the expression "motor transport undertaking" indicated that it was only an undertaking of a commercial nature which was intended to be included within the definition of "motor transport undertaking" and not others.

The Supreme Court rejected these contentions and held that the municipal council was a motor transport undertaking as defined under the Act. By using the word "includes" the legislature intended to enlarge the meaning of the expression "motor transport undertaking" rather than to restrict it. The Court pointed out that under Section 2(n) of the Act, it was provided that all other words and expressions used but not defined in the Act but defined in the Motor Vehicles Act, 1939 shall have the meanings assigned to them in that Act. Accordingly the words "private carrier" used in defining the expression "motor transport undertaking" should be given the same meaning assigned to it under the Motor Vehicles Act, where it meant "an owner of a transport vehicle other than a public carrier who uses that vehicle solely for the carriage of goods which are his property".¹⁵ On this reasoning the court held that the Municipal Council fell within the definition of a "private carrier" inasmuch as the Council owned transport vehicles and used those vehicles solely for the carriage of goods which were its property.

It was also pointed out by the Court that Section 38 of the Act which exempted

certain transport vehicles, also proceeded on the basis that a private carrier who was carrying on activities which were not commercial would also be included within the expression "motor transport undertaking".

The other contention of the Municipal Council that the vehicles owned by it were exempt under Section 38(1) of the Act since they were being used for transporting night soil, etc., which was an activity undertaken for maintaining public order, was also rejected by the Court. The exemptions were applicable only to those vehicles which were used for the transport of sick or injured persons or for purposes connected with the security of India, or the security of a state or the maintenance of public order. The Court agreed with the High Court and held that the functions of the Municipal Council in carrying night soil and in distributing water did not fall within the term "maintenance of public order" and as such the Council could not claim exemption under the Act.

A related question that arises out of this decision is that whether the drivers of the staff cars, jeeps etc. owned and used by a municipal body unconnected with its activity as a private carrier would also come under the category of "motor transport workers" as defined under the Act. There is no direct ruling on this point, but a similar question arose before the Madhya Pradesh High Court recently with regard to the vehicles owned and used by the Madhya Pradesh Electricity Board. In this case,¹⁶ the petitioner-Board, a statutory Corporation,¹⁷ amongst its other activities, also maintained transport vehicles for the carriage of its own goods and was thus a "private carrier" as defined in Section 2(22) of the Motor Vehicles Act, and a "motor transport undertaking" within the meaning of Section 2(g) of the Act, insofar as its activity as a private carrier was concerned.

¹⁵ Section 2 (22) of the Motor Vehicles Act, 1939.

¹⁶ *Madhya Pradesh Electricity Board v. State of Madhya Pradesh*, 1973 I. L. J. 266.

¹⁷ The Electricity Board was constituted under S. 5 of the Electricity (Supply) Act, 1948.

The petitioner applied for registration of its undertaking insofar as it was a private carrier; but the respondent-state declined to grant registration on the ground that the petitioner did not include in its petition other vehicles which it owned and possessed but which were not used in its activities as a private carrier for the transport of its goods, such as staff cars, jeeps etc. and did not pay the necessary registration fees for the same.

The respondent contended that the petitioner-Board was a "private carrier" and since the expression "motor transport undertaking" in the Act included a "private carrier" also, the Board was a "motor transport undertaking" as defined in the Act. It was contended further that since the Act intended to extend the benefits of its provisions to the employees of the "motor transport undertaking", as defined in the Act, such benefits must be extended to all the motor transport workers of the Board, as the Board was a "motor transport undertaking".

Rejecting these contentions, the High Court observed that the Board was a "private carrier" only insofar as it was the owner of certain "goods vehicles" which it was using solely for the transport of its own goods etc. and that it was not a "private carrier" for all purposes, nor did all its activities come under the category of a private carrier. It was, therefore, held that the petitioner would be a "motor transport undertaking" only insofar as it carried on the activity of a private carrier and as such had to get the undertaking registered under the Act only in relation to its activity as a private carrier. "In other words the petitioner-Board *qua* private carrier would require

registration and consequently for this purpose it shall have to declare under the Act and the rules only the 'goods vehicles' owned by it and which it uses as a private carrier. Its staff cars, jeeps etc. which have no relation with its activity as a private carrier, shall not have to be so declared."¹⁸

The above decisions make it clear that the nature of the activity—whether commercial or non-commercial—is not the criterion for deciding whether a municipal body is a "motor transport undertaking" or not. If the municipal body is a "private carrier" as defined under the Motor Vehicles Act, engaged in carrying its own goods, even if in discharge of its statutory obligations, then it would come under the definition of "motor transport undertaking", because of the extended meaning given to the expression under Section 2(g) of the Act. At the same time, it would be a motor transport undertaking only insofar as it carries on the activity of a private carrier. And those activities which have no relation with its activities as a private carrier will not come under the purview of the Act. The Supreme Court decision, thus, clarifies the position regarding the applicability of the Act to municipal bodies. The message that it conveys appears to be that the Act being a beneficial legislation aimed at the welfare of the motor transport workers, there cannot be any justification in denying the benefits of the Act to the workers employed in motor transport undertakings run by municipal bodies merely on the ground that these undertakings are engaged in the discharge of certain statutory obligations.

¹⁸ 1973 I. L. L. J. 266 at 271.

JUDICIAL DECISIONS

Municipal Council v. Chief Officer

In a civil suit filed by the Chief Officer of the Godhra municipality, the civil judge (senior division) Godhra, issued an interim *ex-parte* injunction on April 13, against the municipality restraining it from holding the general meeting on April 14 (on which date the meeting was scheduled to take place), or any other time thereafter for considering the proposal to terminate the services of the chief officer. The meeting was therefore postponed to May 1, on which date in the face of the court's order, the meeting was held and a resolution was passed by the majority to remove the chief officer from service immediately and a written order under the signature of the president was served on the chief officer.

The Chief Officer filed an interim application on May 1, alleging that the municipal councillors and the municipality had committed contempt of court by passing the above resolution and further contended that the resolution was illegal, mala fide and without jurisdiction as it was passed while an injunction order was in force. He urged the court to issue a further restraint against the municipalities from enforcing the resolution.

Thereupon the court issued an interim order restraining the president of the municipality and the municipality from implementing the resolution until further orders of the court.

Despite the injunction it was alleged that the municipality obstructed the chief officer from exercising his powers and performing his duties. The chief officer then filed a writ petition in the High Court on May 7 and after hearing both the parties, the vacation judge of the High Court issued an interim injunction against the

municipality restraining it from obstructing the chief officer from performing his duties.

When the matter reached this stage, one of the tax payers of Godhra municipality, as a representative of the tax payers of Godhra, filed a civil suit before the civil judge (senior division) Godhra, praying for an injunction against the municipality and its president restraining them from charging the municipal funds with expenditure connected with the above litigation. The petitioner contended before the court, that the involvement of the municipality in the litigation was a wilful act of the councillors concerned and for that reason the expenditure on such litigation was not chargeable to the municipal funds. It was also argued that for similar reasons, municipal facilities such as motor vehicle and telephones could not be used by them in defending their case.

The civil judge issued a show cause notice to the Godhra municipality and its president as to why an interim injunction could not be granted restraining the civic body from charging municipal funds with expenditure on the litigation.

Commissioner v. Chairman

A writ petition filed by the Chairman of the Bodinayakanur Municipality (Madurai district) praying for the issue of a writ directing the commissioner of the municipality to perform his statutory duties under the District Municipalities Act, especially permitting the petitioner to have full access to all records, papers and files and also directing the commissioner to have all official correspondence between the council and the state government routed through him as Chairman, has been admitted by the High Court of

Madras. The petitioner had stated in his petition that since the appointment of the present commissioner in November, 1971, the feelings between the councillors and the Commissioner had not been cordial and the attitude of the commissioner towards the petitioner had been one of indifference and motivated. The petitioner alleged that the commissioner had been functioning without reference either to the chairman or the council.

It was stated in the petition that early in 1972, a councillor had given notice of a resolution to upgrade the municipality and the petitioner had endorsed it for inclusion in the agenda of the council meeting, but the commissioner neither included it nor gave any explanation for the omission. Further the commissioner refused the petitioner even access to the files, records and papers of the municipality. The petitioner contended that Section 13-B of the District Municipalities Act gave the petitioner the right to have full access to the records and a duty was cast on the commissioner to facilitate such access so as to enable the petitioner to function effectively. It was also contended that the failure of the commissioner to have all official correspondence between the council and the state government routed through the petitioner was an infraction of the rights given to the petitioner under the statute. As a result of the attitude of the commissioner, the petitioner was prevented from functioning effectively as head of a body answerable to the public and the day to day administration of the municipality suffered a lot, the petitioner argued.

The petitioner, therefore, prayed for the issue of an appropriate writ to the commissioner to perform his statutory duty and permit the petitioner to have full access to the records, papers and files and also for a direction that all official correspondence between the council and the government be routed through him as the chairman of the council.

Tax on Railway Property

The Supreme Court, by its order dated March 9, 1973 has upheld the judgment of the Bombay High Court dismissing the suit by the Union of India for refund of Rs. 2,76,967 collected as tax from the Railway administration by the Lonavla Borough Municipality during the period from 1931 till the institution of the suit in November, 1954. In pursuance of the Rules of 1931 framed under the Bombay Municipal Boroughs Act, 1925, the respondent municipality had collected from the appellant, consolidated tax as a rate on buildings and lands of the Railway. The trial court held that the levy of the impugned tax was void as the Railway Administration was liable to pay only the rate on lands and buildings. On appeal, the Bombay High Court held that though all rates were not taxes, all taxes were rates. The municipality was empowered to impose four different kinds of taxes and the provision of consolidated tax on buildings and lands was in lieu of those multiple taxes. Such a single tax had to be assessed as a rate on building and lands. This being the nature of the levy, it obviously became a tax on buildings and lands.

Municipal Bus-Stand

A division bench of the Supreme Court has held on July 24, 1973 that the M. P. Municipalities Act, 1961 did not empower a municipality to pass a bye-law declaring certain area as a municipal bus-stand and to compel persons plying motor buses for hire to use only the municipal bus-stand for the purpose of taking up and setting down passengers and to prohibit the parking or stopping of the buses for the above purpose in any other place within the municipal limits. In this case the Municipal Council of Bhopal had made bye-laws which provided that no person in charge of a motor bus plying for hire shall for the purpose of taking up or setting down

of passengers, park or stop his bus anywhere within the limits of the Bhopal Municipality except at the municipal bus-stand. Striking down the bye-law as invalid, the court held that the power to compel persons in charge of motor buses to stop only at certain places for the purpose of taking up or setting down passengers was a matter which related to motor traffic and was specifically provided for under Section 68(2)(r)&(s) of the Motor Vehicles Act. This section empowers the government to prohibit a specified place from being used for picking up or setting down passengers. The court pointed out that while Section 358(7)(m) of the M. P. Municipalities

Act might enable the Municipal Council to regulate or prohibit the use of any ground under its control, it did not enable it to compel anybody to use it as a halting place etc; much less to prescribe that no place other than the one provided by the Municipal Council should be used for taking up or setting down of passengers. That could be done only under a provision like the one contained in Section 68(2)(r)&(s) of the Motor Vehicles Act. The court, however, admitted that there could be no objection to the municipality in providing a bus-stand for anybody who chose to use it voluntarily and to require such person to pay for such use.

URBAN NEWS

ALL-INDIA NEWS

All-India Council of Mayors

The All-India Council of Mayors met on 10th August 1973 at Hubli Dharwar under the Chairmanship of Shri Lalit Chandra Magan Bhai Patel, the Mayor of Baroda. The meeting was attended by Mayors of Bombay, Delhi, Gwalior, Madras and Deputy-Mayor of Ahmedabad.

The General Body Meeting of the Council discussed the report on the Model Municipal Act prepared by the Indian Institute of Public Administration, New Delhi. It was decided in the meeting that a Committee be constituted consisting of the Mayors of Bombay, Bangalore, Calicut, Delhi, Hubli-Dharwar and Madurai to consider the report. The Committee is expected to prepare guidelines and proposals in the context of discussions held about the report and submit its report within two months time.

* * * *

The Ninth Conference of Corporations took place at Hubli on 11th August 1973. The Conference was inaugurated by the Governor of Mysore and presided over by the Union Minister of Works and Housing. The Mayors of Bangalore, Baroda, Bombay, Calicut, Cochin, Delhi, Poona, Gwalior, Hubli-Dharwar, Madras, Madurai, Surat, Trivandrum and Dy. Mayors of Ahmedabad and Cochin as also the administrators of Bhopal, Gauhati, Hyderabad, Indore, Kolhapur, Patna, Raipur, Sholapur, and Ujjain attended the Conference.

A number of resolutions were adopted at the Conference. The Conference re-

commended that :

- (a) 'Urban Development' should be given high priority in the Fifth Plan and should be considered as a separate sector;
 - (b) The Municipal Corporations should undertake developmental work; and
 - (c) The laws relating to urban local bodies should be amended suitably, if required.
- (2) That the standards of services, which were fixed in the Zakaria Committee Report (1963) should be amended suitably keeping in view the changes which have taken place during the last decade.
 - (3) The HUDCO should enlarge its area of activities and modify its working pattern including : (a) financing of urban development schemes covering capital intensive schemes like sewerage etc. ; (b) extending the time of repayment of loans relating to long-term project ; (c) simplifying and streamlining the procedures for approval and sanction of loans.
 - (4) An early decisions should be taken by the Union Government and the State Governments on the recommendations of the Evaluation Report and National Seminars pertaining to Urban Community Development. The Urban Local Bodies should take Urban Community Development Programmes on their own and the State Governments should render adequate help in this respect.

- (5) The Union Government should be approached to allow levy of taxes on the transfer of Government property to private owners and also to impose normal taxes on all transactions of goods and machinery.
- (6) The State Governments may be approached for making amendments to the relevant Acts in order to collect professional tax at source and pass it on to the concerned local bodies.
- (7) The State Governments should allot land to Municipal Corporations to build staff quarters etc. at concessional rates.

STATE GOVERNMENTS

Gujarat

The State Government is contemplating to amend Bombay Town Planning Act in order to create a statutory authority for a metropolitan plan for Ahmedabad City.

Haryana

The State Government is proposing to make the municipal levies uniform in the State. The Government is also planning to impose two new levies, *viz.*, a duty on transfer of immovable property and a tax on the consumption of electricity. The duty on the transfer of immovable urban property will be in addition to the duty under the Stamps Act and the rate is expected to be around 2.5 per cent.

Maharashtra

The State Government has amended the Municipal Act through an Ordinance under which direct election of the Municipal President is made possible. The

elections are expected to take place in February, 1974.

A bill is expected to be placed before the State Assembly for according statutory powers to the Authority for Bombay Metropolitan Region. The authority under the proposal will have two wings, *viz.*, policy making and organization, and the executive wings. The Policy making wing would be headed by the Chief Minister with the Urban Development Minister as its vice-president. The authority, as indicated in the proposal, would be of independent and permanent nature and will have substantial control over resources and powers. It will compel the different agencies under its jurisdiction to implement its decisions. It will also see to it that the decisions are properly directed, financed and implemented.

Mysore

The State Government is proposing to constitute a Housing Corporation exclusively for Harijans.

Punjab

The State Government has published draft rules for provincialization of municipal service personnel including executive officers, secretaries, engineers, section officers, health officers and accountants in the State. The officers holding such posts are liable to be transferred from one municipality to another under the same terms and conditions of service.

CITY GOVERNMENT AND SPECIAL AUTHORITIES

Bangalore

In a recent seminar on 'Good Bye to Octroi', the Municipal Administration Minister, Shri B. Basavalingappa vehemently refuted the idea of abolition of

octroi in the absence of any alternative sources of revenue available to the urban local bodies. He asserted that local authorities are facing financial difficulties and as such this 'sure source' of revenue could not be dropped unless a alternative source could be found out.

Baroda

Shri Lalit Chandra Magan Bhai Patel has been elected Mayor of Baroda. He is also *ex-officio* chairman of the All India Council of Mayors.

Bombay

The Mayor of Bombay Shri Sudhir Joshi, urged the architects in a recent meeting to 'Save Bombay' from the haphazard growth of skyscrapers and unplanned development of the city.

Calcutta

The Municipal Corporation of Calcutta is taking stern measures to fight 'garbage' on war footings. Senior officers of the Corporations have been put into service in different areas with equipments including 500 men of National Volunteer Forces in addition to the staff of Municipal Corporations.

A sum of Rs. 26 crores have been sanctioned as a loan by the International Development Association to finance 44

schemes for improvement of water supply, disposal of garbage, sewerage, drainage and housing. These schemes have been prepared by the Calcutta Metropolitan development Authority.

Coimbatore

The strength of the Councillors of the Urban Local Body has been increased from 40 to 44.

Delhi

Shri B. R. Tamta has been appointed as Commissioner of Municipal Corporation of Delhi. Shri H. D. Sharma and Shri K. N. Sharma have taken over as Deputy Commissioners.

Howrah

A campaign 'Keep Your Town Clean' organized by the Students Health Centre was inaugurated by the State Education Minister recently.

Lucknow

The Central Government has sanctioned a sum of Rs. 138.22 lakhs for improvement of slums in the city.

The Lucknow City Development Committee has been reconstituted to prepare a long and short-term plan for the integrated development of the city.

NEWS FROM THE TRAINING AND RESEARCH CENTRES

NATIONAL CENTRE

New Delhi

The Centre organized the Fourth Course on Work Study in Municipal Administration during September 10-29, 1973. The object of the course was primarily to expose the municipal officers to the work study techniques and to impress on the participants the need as well as the ways and means of introducing administrative improvements in municipal organisation. The course was attended by 14 municipal officers from various local bodies in the country.

The 14th Course in Municipal Administration is proposed to be organized during November 26—December 22, 1973. The broad objectives of the course are (a) to discuss the various aspects of municipal system as a totality, and (b) to orient the participants in the modern concepts and techniques of administration.

The duration of the course has been reduced from 6 weeks to 4 weeks. Compared to the previous courses, other major changes are : (i) reduced number of lecture-discussions, (ii) increased sessions for panel discussions, (iii) emphasis on participants' involvement through case

discussions and role-playing, and (iv) use of attachment period for collection of short cases suitable for future training.

The Centre is organizing a Seminar on "Urban Planning and Development Authorities" on January 4-5, 1974 and another one on "Slums Improvement", on February 25-26, 1974.

REGIONAL CENTRES

Calcutta

The Third Diploma Course in Urban and Municipal Administration of six months' duration organized by the Centre has already started from July 30, 1973. The course is being attended by 40 candidates sponsored by 13 local bodies. Study visits were arranged by the Centre for the trainees to Palta Water Works of Calcutta Corporation. The centre also organised a seminar on "Municipal Engineering Services" during September, 1973. The following survey reports have been published by the centre during the period, viz., (i) Civic Services and Tax Collection in some Selected Wards of Calcutta Corporation, and (ii) Degree of Underassessment of Property for the Levy of Property Taxes by Local Authorities.

XXIst World Congress of the International Union of Local Authorities (June 25-29, 1973)

Lausanne

THE AGE OF LEISURE

FINAL RESOLUTION

Preamble

WHEREAS

1. The concept of leisure necessarily connotes the idea of liberty and is to be distinguished from enforced or self-induced idleness;

2. The best leisure cannot be found in circumstances which are ugly, degrading or poverty stricken;

3. Wasteful expenditures, the uneven distribution of resources, the growth of population and the deterioration of the environment constitute an immediate threat to a tolerable life;

4. More attention than hitherto should be given to the pursuit of non-material goods;

5. The developing countries can avoid the mistakes already made in those which are developed.

NOW THEREFORE the Congress invites local authorities

1. Directly or indirectly, through education and information and through the encouragement and support of voluntary groups to make their citizens aware of the value of democracy, the state of the world and the interdependence of the problems confronting it;

2. To give special emphasis in their policies to human and social values and take into account the social and ecological consequences of any new investments;

3. To give attention to the possibilities of improving human relations by stimulating people, to make their leisure time useful for others, being this at the same time another means of self-fulfilment of the persons concerned;

4. To adopt long-term plans including land acquisition for the development of leisure time facilities, due attention being given to the integration of the various sectors such as education, cultural activities, sports, recreation and town planning;

5. In their towns take into account the needs of various groups like young mothers, children and young people, the aged and the handicapped for leisure time facilities near their homes, for leisure during weekends, and for holidays;

6. Where these do not already exist :

(a) to provide green spaces near homes where young children can play safely, using their imagination and sense of adventures ; young mothers can sit, play with their children and meet each other; old people can walk and sit quietly;

(b) depending upon the size of the town, to create parks of various sizes in neighbourhoods, town districts and at short distances from the towns; they should provide opportunities for sports, cultural and recreational activities for those seeking the crowds and

those who want privacy and contact with nature;

- (c) in the vicinity of large agglomerations to create large nature and recreational parks through co-operation between local governments, among themselves and with regional and national authorities; areas of natural beauty, including transfrontier ones, must be preserved in the form of nature or landscape parks.

7. The rehabilitation of congested urban centres and the planning and building of attractive garden cities or new towns should discourage the suburban sprawl and the uncontrolled building of second homes.

8. Planning to meet the growing needs of tourism by local authorities, in close accord with tourist boards and within the comprehensive planning pattern, should embody all necessary precautions to safeguard the human environment, both the countryside and the character of cities, towns and villages.

9. Local government cultural policy should not be restricted to providing programmes for a restricted group, although in metropolitan cities there must necessarily be outstanding examples of the artistic culture of the country. The social culture of the society as a whole must find expression in both rural and urban centres. The larger cities should attempt, as far as possible, to support cultural activities in the surrounding rural areas.

10. Theatres, concert-halls, museums and libraries and similar amenities should be made easily accessible. Every effort should be made to maintain, as cultural centres, the central areas of the cities, to preserve their historic monuments and other valuable characteristics. Cultural

centres should be created and maintained, in smaller centres of population with the active support by societies, wherever possible. The aim in all these developments should be to reach all citizens and encourage them to participate actively in communal, social, intellectual and artistic activities.

11. The emerging need for life-long learning should be made use of in order to train citizens in critical observation, independent thinking and participation as prerequisites of both democracy and the enjoyment of cultural activities.

12. Old people, no longer professionally occupied, and handicapped persons are liable to a reduction of human and social contacts, threatening them with estrangement. Installations and services should be made available which grant them new opportunities for social contacts, intellectual and cultural activities, as well as mental and physical recreation opportunities.

13. The Congress is aware of the importance of legislation and the responsibility on the part of the administration; for this reason it appeals to all administrative levels to give priority to the problems of leisure.

14. National and regional authorities are asked to help the communities in solving problems of leisure and to plan the establishment of leisure time facilities within their own sphere of competence.

15. Local authorities should urge their citizens to cooperate actively in the solution of leisure time problems. They are to feel responsible for the maintenance of parks and gardens and other leisure time facilities. They are to cooperate in the care of the elderly and the sick. They are to help with the supervision of children of working mothers and to place themselves at the disposal of social services. They are to encourage children

and adolescents to participate in sport events and cultural activities. They are to be prepared to cooperate in communal thinking, communal responsibilities and communal work.

16. International exchanges between local authorities should be encouraged as they provide cultural, educational, as well as technical benefits for those who take part and their communities.

BOOK REVIEW

THE SLUM AREAS (IMPROVEMENT AND CLEARANCE) ACT, 1956; BY H. C. ARORA; Universal Book Traders; 80 Gokhale Market, Delhi-6, 1972. pp. 318; Rs. 20.

The case book under review, authored by Shri H. C. Arora—The Slum Areas (Improvement and Clearance) Act, 1956—heralds a welcome awareness on the intensely pragmatic topic of 'slum clearance', having only scanty legal literature to its credit. Impassionate appraisals that will bring to light the operational hazards of the slum clearance enactments and bold and creative legal thinking devising new organs and instrumentalities are called for in this field to help the process of eradication of this urban syndrome of decaying living conditions under the burden of unbearable growth.

The book contains the Slum Areas (Improvement and Clearance) Act, 1956 as amended up to date; Orders that has declared areas as slum under Section 3 of the Act; Rules and Notifications; Commentary delineating the scope of sections; Procedure; and analysis of decisions of the Competent Authority, Financial Commissioner, Administrator of the Union Territory of Delhi, the High Court of Delhi and the Supreme Court of India. Relevant portions of the judgments delivered by the High Court and the Supreme Court from 1965 to 1972 are also reproduced. This includes unreported cases as well.

The significance of the book has to be evaluated keeping in view the importance of slum clearance laws in India. Most of our cities were not well planned to bear the later growth and the resultant influx of civilians. The civic infra-structure of most of them have cracked up or are in the process. This defiles the city, stops its growth and brings down the living conditions to its nadir. This challenging problem—humanitarian as well as developmental—thrown

up by a growing metropolis is sought to be tackled before it has reached an impasse. The developing science of Land Use Planning has provided the instrumentality of 'slum improvement and clearance' with the objective that the dwelling units unfit for human habitation or dangerous or injurious to health may be rendered fit for living or demolished altogether and new ones constructed. As is evident, this involves the coercive use of state power in order to siphon the rights of private property through state directed lines to serve the community objectives. The Supreme Court in *Jyoti Prasad v. Union Territory of Delhi*, A I.R. 1961 S.C. 1609 at 1614 observed while upholding the constitutionality of the Act dealt within this book that this exercise of power is as reasonable as pulling down a building to prevent the spread of flames would be reasonable in the event of a fire. Here is police power at its peak.

Serious thought to this problem was given only in 1956, the year in which the Slum Clearance/Improvement Scheme was launched with the centre providing substantial assistance to the state governments. The Slum Areas (Improvement and Clearance) Act, 1956 as amended by Act 43/1964 is a central enactment in force in the Union Territory of Delhi from February 8, 1957. The legal aspects of its working can be gathered from Shri Arora's book.

The Act containing only forty sections has stood the test of constitutionality but has given rise to considerable difficulties in interpretation. In the words of Justice Rangarajan who has written a

foreword to this book, "the Act is full of difficulties in interpretation". The complexities and inconsistencies, the case law has given rise to, is also not little, as is evident from the contents of the book. Creativity and skill of a high order should have been put together in drafting legislations of this tenor.

Some of the striking features of the Act, intended to hasten its implementation, are worth noting. The person appointed as 'Competent Authority' under the Act is the administrator as well as the judge. His powers are wide and conclusive subject only to appeal to the Administrator of the Union Territory. There is no provision in the Act for revision to the High Court. Thus, the scope for judicial review and subsequent delay is substantially curtailed.

The fact that this volume will be of considerable help to lawyers and administrators is beyond doubt. This collection

would have been more useful had the author—a Competent Authority appointed under the Act—utilised his expertise to highlight the hurdles he confronted in the operationalization, in detail rather than throwing hints at them in his brief preface. A comprehensive introduction and incorporation of the objects and reasons of the bill will add the usefulness of the book. Cases reproduced need further editing. Author should mercilessly excise unimportant facts like the names of counsels representing the parties, etc., from the body of the case. There are a number of grammatical errors which should positively be avoided in the next edition. The book will surely serve the purpose of a spring board for further legal studies in this area. The author deserves tributes for this helpful venture in the area of emerging 'Law and Poverty' jurisprudence in India.

—K. R. UDAYABHANU*

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NAGARLOK

SPECIAL ISSUE, 1973

ON

MUNICIPAL MANAGEMENT

This year's Special Issue of Nagarlok (October-December, 1973) will be devoted to the theme of 'Municipal Management'. The various topics that are planned to be covered in the issue are as follows :

1. Political Context of Municipal Management
2. Municipal Decision-Making
3. Municipal Personnel Management
4. Municipal Financial Management Techniques
5. Municipal Materials Management
6. Municipal Records Management
7. Judicial Decisions Affecting Municipal Management
8. Conflict-Management in Municipal Authorities
9. Municipal Policy Planning
10. Application of Management Accounting Principles in Municipal Administration
11. Decision-Making Under Uncertainty.

NAGARLOK

SPECIAL ISSUE

MUNICIPAL MANAGEMENT

Vol. V

October-December, 1973

No. 4

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EDITORIAL

In accordance with our usual practice, the present issue, which is the last issue of 1973, is devoted to specific theme. This time the subject matter of the special issue is 'Municipal Management'. Far too long, municipal problems have been discussed from the institutional angle with emphasis on structure, functions, personnel and finances. Departing from this conventional approach, a new set of papers has been included in this issue highlighting the operational and managerial problems in municipal administration. The idea is to understand municipal administration in actual action situation. How politics impinges on management? What are the decision making processes? How the resources—personnel, materials, and finance—are managed? These questions have been sought to be probed in these papers. The scope for the application of operations research in municipal administration has also been discussed by one contributor.

It needs hardly any emphasis that our knowledge of the municipality as an action system is very limited. Methodological innovation will be necessary to direct research and studies toward this new venture. The municipal system has too often been extolled in Philip Selznick's language as a "value infused" institution. In urban India, if the valued institution is to be safeguarded, its operational competence needs to be enhanced considerably. It is with this end in view that the present issue has been planned.

—EDITOR



THE POLITICAL CONTEXT OF MUNICIPAL MANAGEMENT

City government today is a most sensitive area of administration. Nowhere are the expectations so high and the inputs in the matter of management, finance, personnel and training so poor. Achievement of various objectives calls for different types of organisational patterns and structure, which are in turn influenced by changing times and environment. Local government in India continues to live in the nineteenth century and is still conditioned by the framework then developed to serve limited objectives.

Objectives of Local Government

The earliest British objectives in constituting local bodies were the association of 'enlightened' Indian Subjects with Her Majesty's Government through its plenipotentiary at the field level—the Collector and District Magistrate—in order to facilitate mobilisation of local resources for the performance of elementary civic tasks. The Ripon Resolution of 1882 redefined the purposes of local government institutions as the schools of democracy and the training ground for citizenship. Almost four decades later Montague Chelmsford Reforms proposals of 1917 looked upon the development of local self-governing institutions as the first step in the progressive realisation of responsible government in India. In the years that followed local autonomy remained the dominant obsession of elected local councils which were looked upon as bastions in the fight for freedom. Nevertheless, the municipal Acts, by and large, contained extensive powers of intervention and control vested in the provincial governments as safeguards against the lapses and vagaries of local authorities. These powers have continued to persist and widely exercised by popular state governments even after Independence, as the efficient performance of functions came to assume much greater importance.

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The objectives of local government today, therefore, are two-fold:

- (a) to function as instruments of local democracy mobilising people's cooperation and citizen participation; and
- (b) to develop and operate public utilities and provide municipal services and public conveniences for a healthy and congenial environment.

Any organisational pattern that fails to reconcile these objections of democratic aspirations and the effective and efficient delivery of civic services, would generate conflict and undermine the functioning of local self-governing institutions, apart from causing deterioration in city living.

Municipal administration is a peculiar combination of a government organisation and business enterprise. As governments, the municipal authorities exercise regal powers of taxation, licensing, subordinate legislation, regulation and enforcement of law, rules and bye-laws. On the other hand, municipal organisation is essentially service oriented. Its taxation capacities are closely related to the provision of civic services. In the management of public utilities, development and disposal of real estate and functioning of various municipal enterprises, municipal authorities have to adopt pricing policies based on sound business principles, though without the motive of profit. Any losses or shortfalls in the working of such enterprises, however, have to be made up by other remunerative ventures or through taxation, which has to be borne by the local citizens—as municipal authorities cannot go into liquidation. The administration of municipal utilities and the provision of services of education, public health, sanitation and conservancy call for the use of modern techniques of management in a far greater measure than the secretarial and departmental functioning of the government machinery. Management aids are also necessary to enable the

municipal council take calculated decisions in determining policies and programme priorities and the formulation of the budget as well as fiscal and legislative measures for giving effect to such policies.

Decision-Making Process and Municipal Management

Effective performance and the realisation of the democratic and service objectives depend as much on the use of technology and management practices as the statutory structure and organisation of local government. In fact the organisational environment has a far more crucial role in the decision making processes and the ultimate use of management techniques in policy formulation and execution—particularly so because the present local government structure has been more productive of conflict and shifting of responsibilities rather than making for a system of checks and balances oriented to speedy decisions combined with accountability and control. Unless this outmoded organisational structure is changed, the efficacy of management techniques would only be marginal. There are three important factors that distort and retard the decision making processes in the municipal arena; viz.,

- (a) the municipal councillor—citizen relationship;
- (b) the executive structure; and
- (c) the role of the state government.

It is these politico-administrative aspects of municipal management that this paper seeks to discuss.

The Citizen and the Municipal Councils

A special feature of the municipal organisation is its nearness to the citizens, who are at once the voters and the clientele as well as beneficiaries of services that it provides. The close relationship between the elected representatives and their constituents has a peculiar influence on decision making processes in the municipal

councils, the committees and the several departments of the local authorities. The performance of municipal functions touch the individual citizen in an intimate way in every day life. The voter is also the consumer of its services, assessee and a tax payer and a licensee of some sort seeking municipal permission for one thing or the other and transgressing some rules or byelaws, that brings him in direct contact or confrontation with officials at various levels in the local administration. The larger issues of policy and civic interests are clouded by such conflicts that have multiplied enormously under the strains and stresses of mounting urban growth. The municipal councillor, with his local roots and loyalties, is quickly driven to assume the role of an advocate of private interests of his constituents, seeking relaxations in rules and bye-laws, reduction in assessment, cancellation or postponement of orders of demolition or removal of encroachments, appointments, posting and transfer of staff, awarding of contracts and the like. All these influence the attitudes and role-perceptions of the elected members and the permanent officials and affect the work of the municipal councils and their decision perspectives. While this calls for a programme of citizen education and public cooperation to ensure certain standards of civic behaviour, it is necessary to adopt special measures to separate the processes of formulation of policies, programmes, rules and byelaws from their application to individual cases—particularly in the field of local administration.

The Executive Structure

The present executive structure of municipal authorities, however, militates against such an objective. On the other hand the system of distribution of powers in the municipal Acts generates an atmosphere of conflict between the official and elective organs of local government. By and large there are two types of municipal systems, viz.—(a) the Corporations with the appointed commissioner as the Chief

executive; and (b) the municipal committees or councils with the elected chairman enjoying the powers of control and supervision of the day-to-day administration aided by a secretary and/or executive officer. The first category was based on the concept of the separation of the executive from the deliberative functions. The fact, however, is that the Corporation Commissioner has only limited powers of sanctioning of expenditure and of making appointments and therefore of disciplinary control over the establishment. The Corporation Councils and their Statutory Committees, are not only deliberative, legislative and policy making bodies but have to dispose off regularly every week or month, a formidable agenda requiring decision on sanctioning of estimates and tenders, appointment of staff and a host of administrative matters. The position is as bad or worse in the second group of local authorities, where most of the powers are vested in the Council itself and delegation to the Committees, the Chairman and the executive officer minimal. Such an arrangement not only delays the decision on important administrative and executive matters but complicates and distorts the decision making process under the influence of individual interest, pressure groups and other extraneous factors, having a debilitating effect on municipal efficiency.

The essence of democracy lies in the power of the elected councils to enunciate policies and write them into its rules and bye-laws, approve programmes and their priorities and incorporate them into its budgetary and fiscal measures, after due consideration of the expert advice and information given by its technical, financial and administrative officers. Beyond this its role should be to control but not to execute, to hold the executive answerable for enforcement of its rules and bye-laws and speedy execution of its programmes.

The fact, however, is that decision making powers for the execution of policies and programmes, sanctioning of contracts and making of appointments

with consequent control over staff are diffused and fragmented between various municipal organs. This has led not only to inordinate delays but shifting of responsibility and lack of a system of accountability, apart from a constant state of confrontation between the elected wing and the permanent officials. It is for consideration whether elected deliberative councils are suitable forums for taking administrative and executive decisions. Is the vesting of such powers essential to the democratic process? Not so in respect of the state and Central legislatures where the unity of the executive decisions is clear and paramount subject to broad parliamentary control.

Management of urban affairs today is a specialised field of administration. No corporate agency can hope to achieve results with speed and efficiency without a strong and unified executive over which the general body should no doubt have ultimate control. The twin objectives of democratic government and effective performance cannot otherwise be achieved as has been amply borne out by our experience of local government in India. With deteriorating administration and management of municipal services, the democratic objectives are forgotten and undermined as the elected councils not only lose the confidence of the constituents but also of state governments, who have not hesitated to exercise their powers of supersession far more extensively than was the practice in the pre-Independence days. In trying to run the day-to-day business of local government, the elected councils have lost their powers of control and enforcement of responsibility and accountability.

It is time that the municipal laws in this country are amended to make place for a unified executive—a managing director or a small cabinet, as if—before the prestige of local government drops to a vanishing point. There could be varying options about the nature of such a unified executive as to whether it should be wholly elective or managerial and bureaucratic,

subject in either case to democratic control. A very large and a growing number of American cities have adopted the City Manager system with an expert, appointed by and wholly answerable to the council, entrusted with the entire management of city affairs. The other alternative is the single executive elected for a term of 3 or 4 years as a full time Mayor or President—or a small city cabinet under a leader with collective responsibility. The All India Council of Mayors have already decided in favour of a small Mayor-in-Council. The decision to adopt one type or the other has to be political and may have variations in different states.

Decision-Making at State Level

State governments in India wield very wide powers of control and supervision over local authorities—to the point of complete takeover for indefinite periods in many cases. Yet more significant is the fact that in many cases they exercise powers in routine matters of appointments, of sanctioning estimates and projects and issuing administrative directions or orders on individual cases. In some states the municipal budgets require prior sanction of the State Governments and in many others the budgets have to be submitted to the Government, which can give directions for their modification. All bye-laws require sanction of the state governments and often the imposition of taxes and changes in their rates have to be approved by them. It is not unusual for the State Governments to take years to come to a decision while the local bodies pass through a feeling of uncertainty about their programmes and policies. It is even doubtful whether the state Secretariats have the requisite manpower and the expertise to deal expeditiously with all the references that they receive from various civic bodies.

With most municipal authorities for medium and small towns the channel of correspondence is the District Collector

and the Divisional Commissioner, the latter being some time vested with sanctioning powers of the State Government. Machinery for disposal of municipal business at these levels is pathetically nominal.

All these decision making bottlenecks cannot but have frustrating effect on municipal management. The posture of the state governments is often that of a superior wielding a punitive stick rather than a guide and partner in the joint venture of building up a strong local machinery for the performance of public tasks and provision of services. Diffused points of decision making as correctives to weak local government, set a vicious circle limiting their capabilities to meet the urban challenge. The State Governments must develop a positive attitude to local self-governing institutions and equip themselves for extending technical and administrative support for local development.

Apart from administrative decisions the political arena for determining the

basic issues in respect of local government lies at the state headquarters and not in the cities. Weak local government only attracts lower level leadership, which looks to the higher levels in the political hierarchy for guidance. Moreover, it is not unusual that the decisions to intervene in local matters or to supersede municipal authorities are taken in the light of political considerations. The problem assumes particular significance when the ruling party at the state level is different from the one commanding majority in the municipal council.

The use of management techniques is conditioned by the political environment and the mechanics of the decision making processes. Only a bold approach to the structural organisation and proper assignment of roles to the state government on the one hand and the deliberative and executive organs of municipal authorities on the other can restore local government to its rightful place in the national polity.

MUNICIPAL DECISION- MAKING

Our purpose in this paper is mainly to understand the processes involved in municipal decision-making. Writers like Chester Barnard and Herbert Simon have pointed out the crucial nature of decision-making in the life of an organization. The centrality of the subject has provoked research and studies of decision-making from a variety of standpoints using mathematics and statistics and the resources of other disciplines such as psychology, sociology, economics and political science. We would, however, like to concentrate on the basic administrative processes involved in decision-making in the municipal context. More pointedly, our substantive interest is in finding out the surrounding forces and the internal dynamics of a decision-making process.

Two Major Types of Decisions

For a moment, we may recapitulate, Simon's distinction between 'programmed' and 'non-programmed' decisions. In municipal administration, as elsewhere, many decisions are taken without much difficulty. These relate to routine actions for which an organization evolves, through learning, set operating procedures. How tenders and contracts have to be dealt with, when should property tax bills be sent to citizens, on what basis trade licences should be issued—all these and, in fact, most municipal operations have been sought to be formalised in order that actions can be taken effortlessly. As Gore explains, "Any organization must accommodate to many unanticipated situations, but for core of a stable collective enterprise is a repertory of proven, reliable productive activities that move directly toward goals and that are activated, monitored, and terminated by an appropriate set of habituated routine decisions."¹

The 'non-programmed' decisions, on the other hand, relate to issues for which

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¹ William J. Gore, "Decision-Making Research: Some Prospects and Limitations", Sidney Mailick and Edward H. Van Ness (eds.), *Concepts and Issues in Administrative Behaviour*, Prentice Hall, 1962.

not much organizational experience is available. These are non-recurring in nature and involve dealing with unstructured situation. Two main elements of decision, as pointed out by Thompson and Tuden, are differential consequences of the several alternative courses of action in a multi-choice situation, and evaluation of the potential outcomes on some scale of desirability.² In a non-programmed decision situation, the most difficult task is to anticipate possible future consequences of action. When a new department of urban community development or a new cell for municipal commercial projects is to be set up, possibly a series of decisions would have to be taken and not just one single decision, and the consequences that might follow in the years to come from the decisions would be hard to predict. It is not uncommon, therefore, for administrators to 'muddle through', when faced with major decisional situations. In the municipal context, the civic bureaucracy has also to reckon with probable 'post decisional conflicts' with councillors which might be triggered by the decisions. For all these reasons, non-programmed decisions are as problematic for municipal administration as for any other organization.

Peculiarities of Municipal Organization

Both types of decisions—programmed and non-programmed—are greatly dependent on the structure of an organization. Even where an organization has formulated elaborate rules and operating procedures to deal with a structured situation, there may be a chain of levels in the organization involved in the decision-process. Any malfunctioning at one level might delay or block the process. This is quite common with municipal actions in relation to many day-to-day problems such as granting of building permission and water supply connection, removal of unauthorised constructions and so on. Note, for instance, the steps that have been prescribed by the Delhi Municipal Corporation

for the sanctioning of building plans. The procedure as laid down in the Manual of Instructions of the Buildings Department of the Corporation is as follows :

1. Building plans when received shall be entered in a register to be maintained by the tax clerk. The tax clerk after receiving the plans will give acknowledgement to the applicant indicating therein the date on which the Architect can make corrections in the plans and the date on which the case will be put up before the Building Plan Committee. This date should be after a minimum of 9 days and a maximum of 15 days from the date of receipt. The plans shall then be handed over to the concerned Section Officer/Building Inspector on the same day after giving the file number, etc.
2. The Section Officer/Building Inspector after receiving the files shall enter them in a register to be maintained by him.
3. The Section Officer/Building Inspector shall inspect the site and scrutinise the plan with reference to the Building By-laws and the Master Plan and will put it up before the Assistant Engineer within one week of the receipt of the file by him.
4. After checking up the report of the Section Officer/Building Inspector, the Assistant Engineer will give his recommendation on the file for sanction or rejection of the plan. If the Assistant Engineer finds that some information is required to be called for from the applicant under Section 335 (2), he shall issue orders for issuing invalid notice, informing the applicant that the plan submitted by him is incomplete and therefore

² James D. Thompson and Arthur Tuden, "Strategies in Decision-Making", Fremont J. Lyden George A. Shipman, and Morton Kroll (eds.), *Policies, Decisions and Organization*, Appleton-Century-Crofts, New York, 1969.

invalid and ask him to supply the necessary information.

5. After the Assistant Engineer has given his recommendations for sanction or rejection of the plans, an agenda will be prepared for the Building Plan Committee Meeting. A brief note giving the particulars, factual position of the case incorporating the recommendations of Assistant Engineer will be given in the agenda for every case.
6. After the case is decided in the Meeting, sanction or rejection according to the decision shall be communicated to the party without any delay.

The entire process through which to arrive at a decision has been carefully formulated and responsibilities have been clearly fixed as to who will do what part of the job. The tax clerk has to inform the applicant about the period within which changes can be made by Architect. The Building Inspector has to go to the site and examine the plan. The Assistant

Engineer has to recommend to the committee what action should be taken on the application. The Building Inspector's spot inspection provides the verified data which would be used by the Assistant Engineer in addition to the information already available in the formal plan submitted by the applicant. The Building Plan Committee that has ultimately to decide about the fate of the application has to rely on whatever data would be supplied by the Assistant Engineer. On the face of it, the entire process, as shown in Figure 1 smacks of rationality and impersonality. Once an applicant approaches the Corporation for a decision on his building plan, the mechanical process would be set in motion and the decision will come out automatically. It is, however, well-known that the process is not as smooth-flowing as the diagram shows it to be. Any default or malfunctioning at any one of the points in the administrative chain will give rise to delay in final decision. Also, there may be interferences in the interfaces between two positions. To quote Jagannadham and Bakshi who did a study of the Buildings Department of the Municipal Corporation of Delhi :

CONVERSION PROCESS

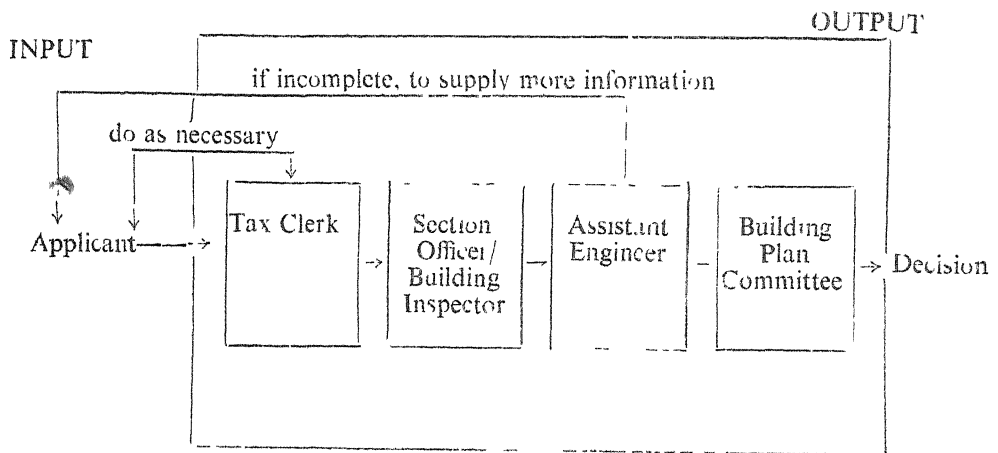


FIG. 1

"It is not so much the absence of instructions as the failure to follow the instructions and, perhaps, inadequate supervision to ensure that the instructions are followed that are mainly responsible for the delays in the sanction of building plans."³

It confirms our earlier observation that if there is malfunctioning at any point in a decision process, there will be blocks and delays in decision-making.

What is important from our point of view is that this is a typical example of a formalised operative procedure to make recurring decisions. We now turn to the other type of non-recurring or non-programmed decision-making to reveal the complexities involved in an unstructured situation. The criticality of this second type of decision-making rests on the fact that it often raises basic questions about the values an organization cherishes. It might even lead to disruptions in habitual working procedures and stresses within the organization. This explains continued attachments of organizations to precedent-bound and rule-oriented routine decisions and general reluctance to opt for innovative decisions. In the municipal situation, the occasion for non-recurring decision-making is usually provided by the process of environment—municipality interaction, when a municipal organization has to negotiate a forceful demand from the citizens which seeks legitimization through its acceptance and a follow-up municipal action. More than any other level of government, the boundaries of municipal administration are exposed to encroachment by social influences. This process of encroachment is aggravated by the dual role that a municipal councillor is called upon to play. The councillor is more than a local legislator. The committee system provides him opportunity to play the role of a semi-administrator also, insofar as the

committees are authorised to discharge some of the executive functions like appointing staff, dealing with tenders and contracts, sanctioning and supervising projects and so on. Besides, the close proximity of the councillor to his constituents often compels him to carry their demands and influences within the administrative arena. It appears from research evidence that these kinds of demands and influences are brought to bear to elicit municipal action on constituency-wide problems rather than city-wide issues. In decision parlance, most of these problems are amenable to routine operative procedures such as getting a water connection or a building permission. In the absence of any larger municipality-wide policy frame and councillor consensus on broader policy goals, municipal decision-making commonly revolves round nucleated personal problems of particular constituents. Ironically enough, it is routine decision for which formalised procedures are already available, that exhibits incipient dysfunctionality in the shape of delay, conflict and harassment to the citizen.

Critical Decisions

Perhaps in anticipation of possible confusion in decision-making in critical non-routine situations, the municipal Acts provide for suitable checks by the state government. In important budgetary decisions like creating new posts and departments, selling of property, etc., there are provisions for prior state approval. The legislative scheme is such that the state can intervene in extraordinary situation and in crisis and even pre-empt municipal decisional jurisdiction.

Let us now follow through an actual critical decision-making process in a medium-sized municipality. To gain electoral support, party A issued its election manifesto wherein it made a promise of transferring ownership of

³ V. Jagannadham and N. S. Bakshi, *Citizen and Municipal Bureaucracy*, Indian Institute of Public Administration, New Delhi, 1971, p. 30.

municipal shops to licensee traders. After winning the election, party A was in a majority in the council and went ahead with keeping the pledge. Now the municipality had to take a decision on transfer of ownership to the licensees. The steps that were taken ultimately to reach the decision are shown in Figure 2. The process as depicted in Figure 2 reveals two kinds of forces shown on both sides of the dividing line—one driving towards a positive decision and another restraining and checkmating action. As the party A aided by demonstrating shopkeepers was trying to move quickly toward a positive decision in favour of transference of ownership of property, party B and the citizens' group were putting up resistance and seeking to restrain the move toward change. The situation typically exhibits the Lewinian dynamic balance among counterforces—the driving forces and the restraining forces.⁴ The arena for decision-making was not confined within the four-walls of municipal administration. External elements such as the licensee traders and the citizens' group were attempting to influence the decision outcome in their favour. Outside the municipal administrative boundary, a parallel process started building up to checkmate municipal decision through state intervention. The two forces—driving and restraining—were moving in parallel lines, one inside the municipal arena and another outside it, each trying to outbid the other. In this win-lose game, each group was trying to strengthen its position *vis-a-vis* the other group. Party A had the demonstrating traders on its side since the election time. The opposition went out of the municipal arena to mobilise popular support from the citizens' group and sought state intervention to nullify the municipal decision.

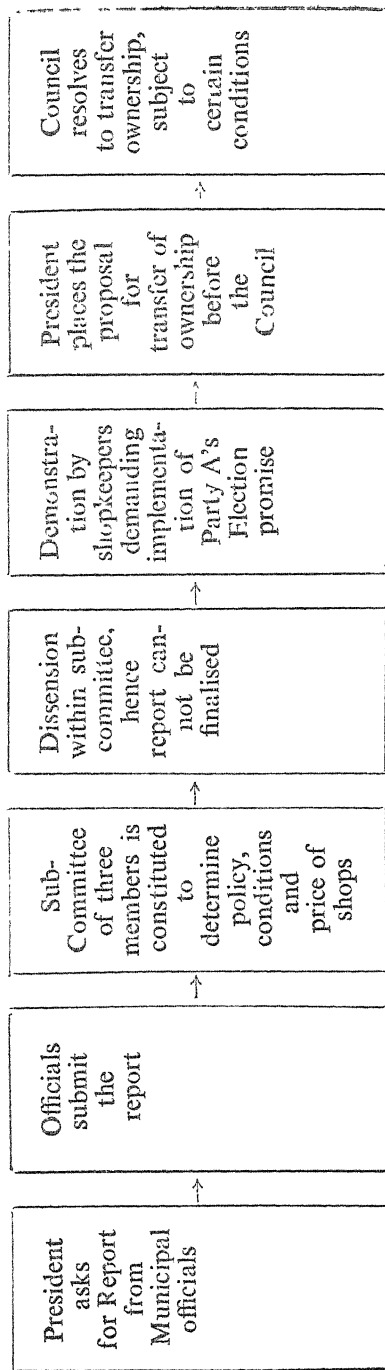
One important feature in this case is that the municipal officials seemed to have vacated the arena and taken the posture of bystanders. It is the councillors who

had completely captured whatever was there as 'administration'. The rudiments of a search process could be found in sub-committee formation. Once polarization had taken place between two contending groups, the stand taken by each group had become far more firm. If Party A was resolute in granting transfer of ownership, Party B was equally determined to block the decision. Both the groups were mobilising support from the interest groups in the environment. The state government including its field administration normally stands outside the municipal arena as one of the various elements in the environment. The opposition's initial attempt was to arouse public consciousness about the goings-on in the municipality and publicise the issue. As they felt convinced that the decision was going against their interest, they invited the state government inside the municipal administrative boundary. By calling for reports, etc., the government was observing statutory provisions. It was now a matter of moments to gatecrash into the municipal arena and pre-empt municipal decisional jurisdiction. The state had thus entered into the municipal boundary.

This is a case of political power game which is commonly visible in municipal administration. It demonstrates the strength of invisible *ad hoc* support from the environment that provides sustenance to contending parties. One of the major causes leading to the frustration of the efforts of the party in power is lack of goal congruence between the battling groups. It proves the fragility of the municipal administrative boundary in a stress situation when the state encroaches upon the area and forfeits municipal claim to decision-making.

In analysing the second case, we have focussed on the intricacies of the interactional phenomenon which cannot be said to be peculiar to a non-programmed

⁴ See W. Jack Duncan, *Decision-Making and Social Issues*, The Dryden Press, Hinsdale, Illinois, 1973, pp. 13-14.



Forces leading toward a positive decision

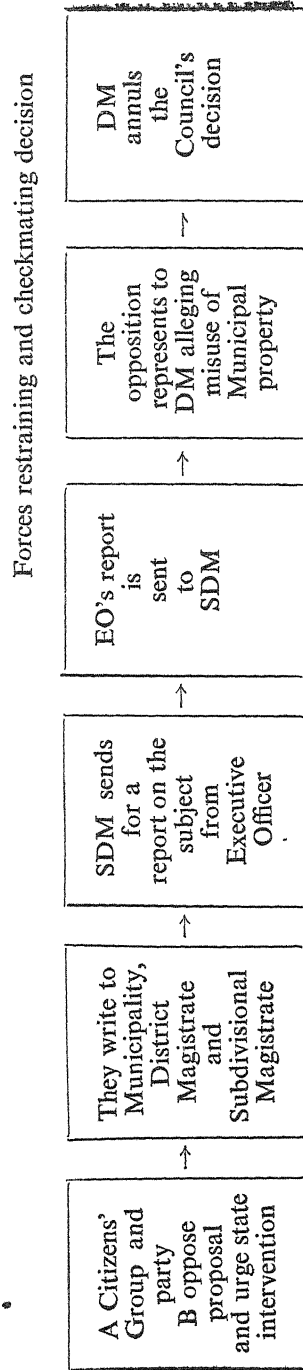


FIG. 2

NOTE : The author gratefully acknowledges indebtedness to his colleagues, Messrs. A. Datta and D. D. Malhotra for supplying the outline of this case.

decision situation. To the extent such interactions would manifest themselves in the case of a programmed decision also, these partake of a regularised or systemic characteristic in the municipal organizational situation.⁵

The two cases reported here provide the starting point of a 'clinical' approach to municipal decision-making in India. Admittedly, more case studies are necessary to arrive at sounder generalizations regarding the decision processes in the municipal situation.



⁵ I am grateful to Prof. Ishwar Dayal for bringing this point to my notice.

MUNICIPAL PERSONNEL MANAGEMENT

In any administrative system, its manpower is one of the important resources in processing other inputs to achieve the system's objectives. Effective utilisation of manpower resources requires sound personnel management policies and practices. It implies manpower planning, attracting and selecting qualified and competent personnel, their purposive posting (right man for the right job), horizontal (transfers) and vertical (promotion) mobility and other opportunities for their development and growth and the creating of conditions conducive to building up of morale and motivation for a higher level of performance in an organisation. But when a system like the Municipal Administration in India, whose substantial proportion of recurring expenditure goes towards meeting the salaries, etc., of its personnel, the personnel management becomes critical in achieving its objectives. Another equally pressing reason for better municipal personnel management is that municipal administration provides a range of those civic services which are crucial to day-to-day urban living. Further, people in urban areas come into contact with municipal bureaucracy far more than the officials of the State or Central Government. Such contacts can either activate people's trust and confidence or dampen their initiative and make them apathetic to government at any level. Moreover, the municipal government is the grassroot democratic institution, the special feature of which, having a direct bearing on its administration, is that the elected representatives, the officials and the citizens are all close to each other and to the local issues and problems.

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The labour intensive nature of municipal administration, crucial dependency of urban living on municipal services, high frequency of citizens' contact with the municipal bureaucracy, and the democratic nature of the system which provides for a close physical and social proximity of its major actors (politicians, bureaucracy and

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citizens) are some of the important parameters within which personnel functions in municipal administration have to be carried out whatever the type of personnel system which may be adopted for urban local bodies. While this framework of municipal administration requires the adoption of sound personnel policies and practices, an attempt in this article has been made to highlight some issues and problems of municipal personnel management in India.

Municipal Personnel Systems in India

In India, the municipal personnel system varies from state to state. But broadly, the following three types of personnel systems, mostly in combination with each other, are observed:

- (a) *The Separate Personnel System:* Under which a local body has considerable autonomy to appoint and dismiss its own personnel. It implies that the employees are not transferable from one local body to another. However, the State exercises control on certain personnel matters such as appointments at higher management level and disciplinary action thereof, the creation of posts and imposing a limit on establishment expenditure through the requirement of approval of their budget.
- (b) *Unified Personnel System:* Under this system, a few categories of municipal personnel constitute state-wide municipal service. The officials in this service are not government servants; they are the employees of the local body they serve. However, their appointments, promotions, transfers and dismissal rest with the State Government. They can only be transferred from one municipal body to another and as such they spend their entire service career in municipal administration. The local governments can only seek

transfer of an official in the cadre on passing a resolution.

- (c) *Integrated Personnel System:* In this system, there is no distinction between the state civil service and the municipal service. All officers at all the levels of state administration as well as municipal administration are employees of the State Government and are transferable from one local authority to another as well as to an appropriate departments of the State Government. However, in practice, the integrated personnel system is only restricted to the manning of posts at higher levels of technical departments in municipal administration.

Each of the above system has not been adopted in its entirety in any of the states. The pattern, by and large, followed is that:

1. where a separate personnel system exists, some heads of the technical departments may be on deputation from the state service, whereas the rest of the employees belong to the local body;
2. where unified personnel system exists, one also observes, the State Government officials on deputation to head technical departments, whereas class III and IV employees belong to the separate personnel system. State-wide municipal cadres often cover Executive Officers (in some states also known as Commissioners), Revenue Officers, Accountants, etc;
3. the personnel system in Municipal Corporation is of a 'separate' category with the exception that the Commissioner and some of the heads of the departments, generally belong to All India or State Services and are brought on deputation to the Corporation.

In U.P. and Rajasthan, some categories of technical officers such as engineers, fire officer have also been included in the state municipal services. Health Officers invariably belong to integrated service even where a separate municipal cadre as in the case of Rajasthan has been provided because of the inability of the service to attract qualified persons.

During last one decade, a number of states have either introduced or have provided for in their respective Municipal Acts for the introduction of unified personnel system to cover higher categories of municipal officials. Such a reform has been considered essential to meet the inadequacies of traditional separate personnel system which suffered from:

- (a) inability to attract qualified and competent personnel;
- (b) limited opportunities of transfer which is essential for enriching employee's experience for assuming higher responsibilities;
- (c) employees' stagnation due to near absence of promotion opportunities;
- (d) widespread favouritism and nepotism in selection, appointments, promotion, etc., on account of the fact that the Council/Board—an elected body—is vested with power to deal with crucial personnel functions.

Management of State Municipal Cadres

State-wide municipal cadres have, no doubt, opened a wide catchment area for recruiting qualified personnel and by offering better opportunities for horizontal (transfers) and upward (promotion) mobility, security on jobs and uniformity of pay scales, this personnel system has developed the capacity to attract better personnel. However, the introduction of state-wide municipal cadres calls for proper management of these cadres and working out an appropriate relationship of the personnel belonging to these cadres with local

bodies and with the personnel belonging to integrated and separate personnel systems working within the same local body. In most of the states which have adopted the unified cadres, these two aspects have not been paid adequate attention.

The gradation of officials in a cadre is closely linked with the classification of municipalities followed in a state. Upgrading of municipalities have therefore direct implication for the strength of officials in a particular grade of a cadre. If standardisation of posts in relation to the classification of municipalities is not carried out and if cadre strength is not synchronised with the re-classification of municipalities as and when they occur, apart from creating imbalance in terms of promotion opportunities from one grade to another and difficulties in transfers, personnel planning becomes difficult to evolve. Another manifestation of the lack of concern for personnel policy is that the states such as U.P. and Rajasthan which have adopted the unified personnel system have not so far provided for a central fund for the purposes of disbursement of leave salary and retirement benefits. Dearness Allowance and other fringe benefits vary from one place to another. One of the positive attribute of a sound transfer policy is that transfers should contribute to enrichment of one's experience and at the same time ensure appropriate accountability of individuals. More often than not, indiscriminate and frequent resort to transfers have resulted in inability to fix the responsibility, and dislocation in work of the municipal administration.

State Municipal Cadres—Their Relationship with Local Bodies

The states have assumed the responsibility in respect of recruitment and selection, transfer, promotion, fixation of salaries and other service conditions of officials covered by unified personnel system and have prescribed rules and regulations governing these matters.

Though legally they are employees of the municipality they serve, functionally doubts have been expressed whether there exists any master-servant relationship between a municipal body and the officials in the unified cadres working under it. Nothing explains the situation better than R.M. Jackson's observation:

"There is . . . always a tendency for an officer whose ultimate fate may depend upon the central government to look to the central government for guidance in the conduct of his work . . . (and) who may have some temptation to do things that he knows will keep him in good favour with the Central Government."¹

What type of mechanisms have been provided in the management of state-wide cadres to promote employee's concern with and loyalty to the local government? Is there any practice of consultation with the local body before posting an encadred official to serve it? Is the power of the local body to seek the transfer of an official a sufficient condition for a healthy employer-employee relationship? How often the annual confidential reports of the concerned officer are taken seriously because of their being filled in by the elected executive of the local authority? If the answers to these questions are in negative, they would only indicate that one of the basic parameters, i.e., urban local bodies as a level of government, has been ignored.

The assumed advantages of the system have been used to merely extend more intensive state control over the working of municipal bodies. It has simply been forgotten that unified cadres, as reform over the separate personnel system, are intended to improve the effectiveness of municipal administration within the framework of local self-government. Such neglect of the framework is evident from the way the municipal cadres have been managed by the state government.

Personnel and Executive Structure and their Implication for Interpersonal Relations and Personnel Functions.

Personnel structure emerging out of the introduction of state-wide municipal cadres for higher administration posts, integrated cadres for technical posts and a substantial strength of employees continuing to belong to separate personnel system has a built-in capacity for sharp conflicts and tensions in municipal administration. The Councillors and the employees belonging to separate personnel system and to the local community, more often find it easier and convenient to appreciate mutual interests, and thus establish rapport and develop loyalties towards each other than with those who, they know, would stay with them only for a short span of their service career. On the other hand, relationship amongst officials, belonging to unified municipal cadre and integrated system, tends to be extremely delicate and some times strained whenever there is a lack of appreciation of each other's role. Constituting each state municipal cadre around a functionally distinct category of municipal officials such as Executive Officer, Revenue Officers, Accountants, etc., each operating as a closed system, without establishing any linkage with the position of administrative leadership further promotes centrifugal tendencies in municipal management. For instance, an Executive Officer is responsible for advising, helping in formulation of policies and executing the decisions of the elected body or its President, but the service system tends to give him a narrow and a limited jurisdiction. Dual nature of management in local government, in which elected representatives and the appointed officials have overlapping executive jurisdictions, combined with the committee structure and the staffing pattern aligning themselves with the functional departments, lead not only to fragmentation of municipal management but also to sharpening of the conflicts

¹ R. M. Jackson, *The Machinery of Local Government*, London, 1959, p 104.

amongst the employees. It becomes difficult for the local bodies to evolve a corporate approach, a unity of purpose and direction. The Mayor of Delhi once observed that "it is not a surprise to find that 75 per cent of item on agenda of the (Corporation's) meetings relate to staff members. In addition to wastage of time of the Corporation the discussion of such matters in the Corporation meetings create unhealthy practices in which officials induce the corporators to take sides. Such staff matters become highly debatable matters and consequently the discipline and control over staff matter suffers a great deal."²

If this is the state of affairs in a corporation set-up wherein the Commissioner enjoys some powers to exercise administrative leadership, the extent of politicisation of personnel functions can be well imagined in the Municipal Committee/Board/Council system which, as earlier pointed out, has built-in potential for sharp conflicts. Under such circumstances, importance of personnel management does not get sufficient recognition and its scope at best is often reduced to "establishment" functions such as controlling day-to-day administration of rules about pay, conditions of service etc., scrutinising of staff claims by various departments and maintenance of service records. Such an establishment approach which is too constrictive to provide a fully effective use of manpower extending sensitive and crucial services to the citizens, is not only evident at the level of local body but also in the management of state-wide municipal cadres.

The manifestation of lack of recognition and development of personnel management functions are reflected in the working of almost all crucial components of even the establishment approach. Even though the annual assessment of employee's performance (generally known as annual confidential reports) is prescribed

everywhere, in practice it is often neglected. Apart from the questionable validity of ACRs as tools of performance appraisal, it was found at the time of absorption of municipal officials in state municipal services, that these reports, in a number of cases, were not available. Wherever the practice of ACRs exist, by and large it is treated as an annual ritual and its performances an unpleasant task. At best, ACRs are used as a means of control which again tends to be unattainable under the above conditions. Their design and manner of their use, and also the absence of job descriptions, rarely brings out the performance of an employee, his training needs, and his potential for growth and development. Further, annual confidential reports enjoy such a low credibility that they are hardly considered as reliable instrument of indicating employee's merit. Lack of trust and confidence in the personnel techniques such as selection techniques and performance appraisal (ACRs) generate pressures for adopting a promotion system based entirely on seniority. What type of achievement orientation amongst the employees can be expected in municipal management when promotion system heavily depends upon seniority and the tools of merit assessment are defective and ridden with doubts and suspensions?

The gradation of pay scales hardly reflect job duties and responsibilities. In the absence of any job evaluation, one witnesses multiplication of pay scales which, at lower levels of management, differ by a margin of Re. 1 or Rs. 2. The enormity of pay scales and their structure complicate the task and consume a considerable time of those, whether in Account Section or in Establishment Section, who are responsible for salary administration.

Absence of manpower planning has often caused, apart from other difficulties, large scale *ad hoc* temporary appointments at various levels and a rising bill of overtime wages. Too often, a substantial

² 'Municipal Personnel System--Proceedings of a Seminar', IIPA, March 1973, p. 11.

strength of employees continue to be temporary for years and they are thus deprived of service benefits. The resulting discontentment amongst such employees strain industrial relations. The application of labour laws to municipal administration makes it all the more important, if they have to maintain healthy industrial relation, to pay proper attention to personnel policies and practices.

It was observed in a major municipal corporation that one of the employees' demands in a strike notice was the early disbursement of retirement benefits. A study³ of the reasons for the delays behind the payment of retirement benefits revealed that such benefits could not be disbursed on the eve of employees' retirement because, amongst other procedural matters, personnel records were found invariably incomplete for the purposes of computation of qualifying services. If the service records are not maintained properly, it was found that attempts to arrange and complete them after employee had retired often involved harassment and hardship to the retiring employee. Mismanagement of personnel records is often reflected in delays in granting increments and sanctioning of leave, difficulties in the preparation of seniority lists, etc. It should be recognised that the personal records provide an inventory of talents and skills available within the organisation. Their proper maintenance is extremely important not only for leave and salary administration but also as a data source for identifying training needs and evolving policies and programme of staff development.

Conclusion

A wide variety of problems in municipal personnel management are attributable to: (a) the structure of municipal execution system which does not allow proper recognition of the need for sound personnel policies and practices; (b) lack

of awareness of the fact that while the quality and the numerical strength of employees increase, a corresponding increase in managerial capabilities in municipal personnel administration is called for, and that the traditional establishment approach has a very limited capacity to deal with the contemporary personnel problems and is not a proper tool for increasing effectiveness of manpower resources particularly in a labour intensive organisation such as municipal administration.

The premises on which the unified cadres have been organised and managed by the state governments, have added to the complexity of problems. If the purpose behind introducing unified personnel system is to improve the capabilities of the local bodies, it calls for a positive approach in the structuring and management of these cadres. Also, it requires less of direct state control and more a spirit of partnership with local government. If the role of the state government is clearly understood as that of a catalyst change-agent and the purpose behind this role is to improve the vitality of local governments, State Municipal Directorates are neither adequately equipped nor organisationally suitable to perform that role. They have assumed a role of an agent of state government for controlling the local bodies without any corresponding responsibilities in respect of problems arising out of the exercise of such powers. Unified municipal cadres have more often been used by the Directorates as an extension of this role. In any reform effort to strengthen the urban local bodies, it is essential that all the parties—local governments, its employees and the state government should feel a sense of joint venture and participate in the management of change. This, it is felt, will emerge if instead of State Municipal Directorate, the central agency is a statutory body, giving representation to each party. Such an agency would not

³ D. D. Malhotra, "A Study of the Procedure for Settlement of Retirement Cases in the Municipal Corporation of Delhi", 1973 (mimeographed).

only have the essential expertise in municipal administration at levels of policy making in respect of matters of common concern to all municipal governments in a state, but also ensure that local government reform efforts are not delinked from the philosophy behind the creation of local governments. In regard

to personnel matters, such an agency could be entrusted with the management of state wide municipal cadres in addition to its role of guiding and assisting the urban local bodies in the development of personnel management functions and the infrastructure thereof.

MUNICIPAL FINANCIAL MANAGEMENT —A SYSTEMS APPROACH



B. N. GUPTA*

Financial management involves anticipating, acquiring and allocating the financial resources to achieve some purpose or objective. A systems approach to financial management looks to the problems confronting the financial managers in their totality and efforts to resolve them in a rational way. It is a problem solving approach. In fact, systems approach is not new, but what may be novel is the emphasis on looking at the entire problem as a whole, on the clarification of objectives, on the search for alternatives, on explicitness, on the recognition of uncertainty and above all on the use of quantitative models to make comparisons insofar as this can be done.¹ The main thrust of this approach is on looking at the problem as a whole, emphasis on the clarification of objectives and design of alternatives.

A system is composed of parts that are inter-related in a manner that form the unified whole, that is more than a mere summation of the parts. Hall and Hagen define a system as "... a set of objects together with relationship between the objects and between their attributes".² They further define objects as the parts or components of the system and attributes as the properties of objects and point out that the relationship to which they refer are those that "tie the system together". Alan Walter Steiss defines a system, "as any entity, real or conceptual, which is composed of interrelated or linked parts. These parts can consist of activities and events as well as objects and concepts. Interrelationships are a key aspect of the systems concept".³ In simple words, a system is a set of interrelated parts working together to achieve some purpose. We can visualise many kinds of systems—a human body, an automobile, a city, etc. All systems have in common seven essential characteristics, viz., (i) an objective, (ii) parts, (iii) an environment,

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¹ E. S. Quade, *Systems Analysis for Public Administration in New Techniques in Public Administration—A Reader*, Vol. I, p. 134.

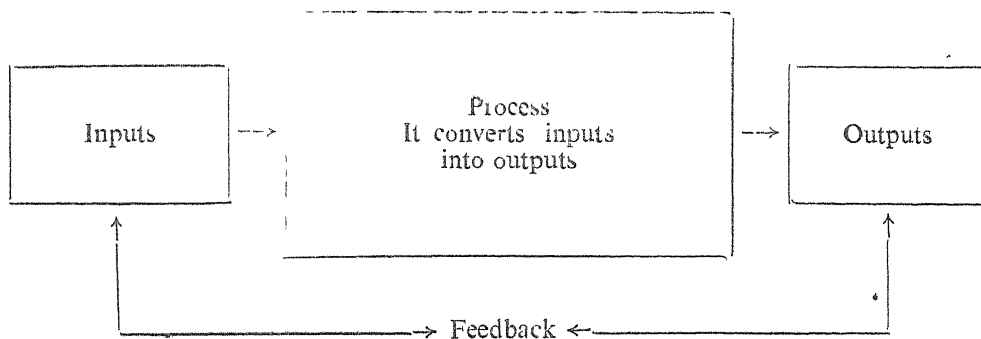
² A. D. Hall and R. E. Hagen: "Definition of System" in *Organisations: Systems, Control and Adaptation*, Vol. I (ed.) J. A. Litterer, p. 31.

³ Public Budgeting and Management, p. 7.

(ii) resources, (i) constraints, (iv) communication mechanism, and (vii) control or management. Objective is the purpose, the system fulfils; parts are the separate organs or components from which the system is built; the environment consists of surroundings or circumstances to which it must adapt; its resources are the powers it can exert; constraints are the limitations within which it has to function; its communication mechanism comprises of the means by which information is transmitted between the control centre or management and the separate parts. Such information may be with regard to condition of parts, problems that are arising and the adjust-

ments that need to be made; and finally, every system has some means of management or control to govern the separate parts, harmonise their team work, effect adjustments and keep the organisation as a whole functioning to achieve its objectives.

A system is made up of four elements. They are: (i) inputs—the resources that initiate the system, (ii) process—the mechanism that transforms inputs into outputs, (iii) outputs—the end-results, and (iv) feedback—for correcting the inputs in future. This is illustrated in the following figure.



In a municipal system inputs are the men and material resources, rules and laws, commitment by groups and individuals to organisation-goals, and pronouncements by interest groups, control groups, etc. Outputs include tangible public goods and services, intangible specific benefits to groups or individuals, regulatory activities, etc. The process converting inputs into outputs has to maintain equilibrium by balancing the demands for the outputs with the inputs.

The systems approach to municipal financial management helps in developing a methodology for coping with the growing complexity of managing municipal organisations by providing a coherent and rational process for financial and budget-

ary decision-making in the context of people's needs so that an equilibrium is achieved between costs and objectives/goals of the community.

The 'budget' is the pivot around which the whole financial management of a municipal government clusters. The budget of a municipal body should be an explicit prediction of its public policy, goals and actions during the next year for which the budget is prepared. Yet, the current budget process does not reflect a rational or dynamic examination of various units' goals and plans as a whole. In fact, budgets are prepared on a decentralised and fragmented basis and decisions affect only marginal adjustments. The budget philosophy is one of providing marginal increase

or decrease to the last year's budget base. A systems approach requires :

1. Statement of their objectives in clear and unambiguous terms.
2. Identification or examination of the fundamental nature and objective of their current activities and see as to how far they match with the overall objectives.
3. Comparison of results against objectives.
4. Measurement of present and future costs of the activities.
5. Relate budget allocation to long-range plans beyond any one fiscal year.
6. Identification and consideration of alternatives as means to achieve goals and objectives.
7. Making budget review process systematic.

The municipal financial management function is concerned mainly with the process of revenue generation and expenditure management. The process can be discussed under three headings : (i) Sources of Funds, (ii) Funds management, (iii) Budgetary expenditure management.

I. Sources of Funds

Funds come from a number of sources, such as :

- Taxation,
- Inter-governmental transfer and grants,
- Revenue from self-sustaining activities,
- Loans,
- General and miscellaneous revenues.

Taxation : Tax-assessment bears a discernible relationship to certain community characteristics, such as types of buildings, commercial or industrial activities, nature of land-use, etc. Proposals for changing the assessment base over time can be evaluated. Question of equity with respect to

the impact of various revenue policies on the existing bases, within the city can be studied and resulting improvement programmes developed.

Looking at the process from a systems point of view, it can be broken into its elements of inputs, the process itself and outputs. The basic inputs are :

1. The assessment base.
2. The current revenue requirements emanating from the budgetary process.
3. Taxation policy.

The assessment base is a particular description of the community in terms of its various characteristics. It should be possible to forecast the financial effects over time of changes in the community attributes. Taxation policies reflect the management's views regarding the rates to be applied. This is an annual process. It should be possible to develop the process, so that financial management is able to forecast future rate implications of present decisions. This will assist policy makers in planning the change in tax rates over a longer time horizon, thereby reducing the possibility of untimely programme cuts.

Inter-governmental Transfers : The whole area of inter-governmental transfer is a complex one. Some transfers are tied to specific municipal activities. A major portion of grants has some base and a formula, which can be used for estimating the transfer receipts.

Self-sustaining Activities : Some activities of a municipal government are self-sustaining. Projected expansion of such activities and projected revenues have to be done in their case.

Loans : Loan planning as to the timing and cost should be made.

General and Miscellaneous Revenues : These usually are comprised of licences and

fees charged by the municipal governments to specific persons or groups in connection with certain specific services or privi-

leges. The following figure summarizes the functional treatment for different elements of revenue management :

<i>Function</i>	<i>Treatment</i>
Taxation	Assessment Base Forecasting, Revenue Need Determination, Rate-Calculation, Taxation Policy, Development.
Intergovernmental Transfers and Grants	Payment base, Subsidy and Grants base, unexpected transfers.
Self-sustaining Activities	Forecast of the present activities, Projected budgets, Analysis on the basis of rate-changes, Identifying new areas of users or service provision.
Loans	Forecasts of debt service costs, Timing of loans, Control.
General and Miscellaneous Revenues	Base Forecasting and planning, Rate analysis, Incidence-analysis, Development of New source.

II. Funds Management

The second element of the financial management process is funds management. This involves :

- (i) Cash inflow forecasting.
- (ii) Cash outflow forecasting.
- (iii) Liquidity.
- (iv) Maximising net financial revenues.

Cash inflows may be of the following types :

- (i) those whose amount is known but timing is uncertain (e.g., some government grant payments).
- (ii) those whose amount and timing are both known and controllable (e.g., taxes, water rates, etc.).
- (iii) those whose amount and timing are both uncertain (e.g., certain inter-governmental transfers)

(h) that whose amount is uncertain but timing is controllable and known (e.g., financial revenues),

Each of these can be forecasted but in different ways and the financial management can use various combinations of assumptions regarding timing and amount for that purpose,

Similarly, cash outflows forecasting can be based on the identification of amounts and timing characteristics, both known and estimated, for revenue and capital expenditure. On the basis of cash inflow and outflow forecastings, and keeping the desired level of liquidity, a cash-budget can be prepared for the period.

III. Budgetary Expenditure Management

The budgetary expenditure management process has five elements :

1. Development of departmental estimates.

2. Aggregation of current estimates.
3. Capital budgeting.
4. Review and revision.
5. Research.

These elements are related to the planning, operation and management of programmes envisaged by the municipal government. The following figure summarizes the treatment of these functional elements :

<i>Functional Element</i>	<i>Treatment</i>
Development of Departmental estimates	Define programme objectives, forecast community needs and long term costs of their provision, Select service levels which can be provided with the resources available. Make a mix of programmes, and do cost-effectiveness analysis of the programmes and also Cost projections.
Aggregation of current estimates	Evaluate the impact of changes of different programme-mixes Forecast expenditure needs with community changes.
Capital budgeting	Forecast loan needs, Determine project priorities, Evaluate their present budgetary implications.
Review and Revision	Evaluate alternative Priorities and programme-mixes, Evaluate alternative resource application, costs, Evaluate alternative service levels, Review inter-departmental linked effects.
Research	Develop norms, Costs, etc., Examine new programme options, Develop alternatives.

This approach to municipal financial management calls for a sound data base and analytical ability to use them. This also calls for a significant application of

operations research and information technology in improving the financial planning and management process in the municipal governments.

MUNICIPAL MATERIALS MANAGEMENT

Municipal government is regarded today as one of the instruments of socio-economic development. With the growing pace of urbanization, the services rendered by municipal administration have increased in magnitude as well as complexity. The problem of growing cities coupled with scarcity of funds pose a great challenge to the municipal administration. In order to meet this challenge of changing times, any municipal government must make optimum use of its capital resources by employing the most modern techniques of management.

Municipal management considered as a total system, may be viewed as comprising of four subsystems, namely, management of men, management of money, management of machines and management of materials. With increasing construction and development programmes in our urban areas, the materials costs are steadily going up. Most of our municipalities and corporations operate under scant financial resources. Obviously, there is a great need for cost reduction through Materials Management.

Materials Management has reached a stage when it is not merely a matter of judgment and experience. They must be aided by scientific techniques. Private companies were the first to realise it and to use them to their benefit. In the past few years, these techniques have begun to be applied in defence, government planning and public undertakings in India. It is time for the urban local self-governments to make a beginning in this regard, if they are to discharge efficiently the duties of public office.

Materials Management has a wide field covering inventory control, purchasing, value analysis, standardization, codification, storage and transportation, etc. An attempt has been made in this article to present an understanding of the importance and value of Material Management and some of the fundamental

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concepts of Material Management, applicable to municipal systems.

Need for Material Management

The broad objectives and requirements of any material management scheme are:

- (a) Have stock available when and where needed.
- (b) Utilize available storage space, but prevent stock levels from exceeding space availability.
- (c) Meet a high percentage of demands without creating excess stock levels (Don't run out—don't be overstocked);
- (d) Maintain adequate accountability of inventory assets.
- (e) Keep all expenses within budget authorizations.
- (f) Decide what items to stock and what items to procure on demand.
- (g) Provide on an item-by-item basis, reorder points and order quantities such that the aggregate results will meet the above objectives.

A lax policy of stock control can lead to heavy losses. Excess buying and overstocking lead to high carrying charges, a high rate of obsolescence, deterioration and pilferage, and an excess of tied up capital. Material shortages, on the other hand, may interrupt municipal projects, idle men and machines, disrupt schedules and cause public resentment.

An effective material management system is needed for:

- (a) Ordering of goods in economic quantities.
- (b) Standardization of materials and parts in order to reduce the variety and number of items in stock.
- (c) Preventing excessive stocking of non-essential goods.

(d) Reducing losses due to inadequate inspection, material damage, deterioration, obsolescence, waste, theft, etc.

(e) Providing an accurate base for cost accounting and financial accounting.

Basic Concepts of Material Management

Material management in oversimplified terms, means steps taken to insure that the right material, in the right quantity and of the right quality, is made available at the right place at the right time. The important basic concepts of material management are discussed below:

Inventory Costs : Inventory costs consist of 'Carrying costs' and 'Ordering costs'.

Carrying costs—These include interest, obsolescence, deterioration, depreciation and storage handling and accounting costs. Interest is calculated even though none is being paid. In economic terms it is called 'Opportunity cost'. When money is tied up in inventory, a local government loses an opportunity to invest it and earn itself.

There is no perfect method of figuring carrying costs. A common practice is to take an average expenditure over a two or three year period and establish a percentage figure. The carrying costs vary from country to country and organization to organization. In general, under Indian conditions, inventory carrying costs can be assumed as 20 per cent to 25 per cent of the cost of inventories.

Ordering costs—This would cover the cost of gathering inventory information, paperwork, placing tenders, evaluation of offers, writing the order, and receiving and inspecting the shipment on arrival. Generally, an average cost per order is established and used.

Lead time : The time period between the point of raising of an indent by the stores and the point of receiving of materials by them is called lead time. Leadtime has an important bearing with inventory levels. In general higher the leadtime, higher the average stock to be maintained. For certain reasons, lead-times in municipalities are extremely long, the main reason for this being rigid and cumbersome procedures required for placing orders.

Stockouts: When a particular item is not in stock when required, we say there is a stockout on that item. Stockouts may result in breakdown of machines and equipment or shutdown of a service, which could be very costly. Also, we know it is uneconomical to carry high stocks because it costs lot of money to carry them. In other words, understocking and overstocking both are undesirable. Striking a balance between the two is in fact, the central issue of the inventory management.

One peculiar thing about stockout is that they are very conspicuous so as to attract immediate criticism of top management. It is this fear of criticism that makes the stores-managers to overstock to an extent that there is no shortage at all. As a result, inventories keep piling up, blocking large amounts of capital and excessive inventory costs. Any management which wants to eliminate stockouts completely must pay a heavy price for it. A wise management knows that, eventually, it is economical to allow a small percentage of stockouts and maintain low inventory levels.

Reorder Level : Under the stable conditions when the demand and leadtime are fixed, the reorder should obviously be placed at the level of inventory which is required during the leadtime. In practice, however, there are always variations in the demand as well as leadtime. To guard against depletion because of these variations a safety stock shall have to be

maintained. Under such conditions, the reorder point will be set such that reorder level will be given by

Reorder level = safety stock + Lead-time requirements.

Safety Stock : Safety stocks can be mathematically calculated once the nature of fluctuations in the demand are known. The most commonly used formula assuming a Poisson distribution of the deviation in actual demand from the forecast is:

$$\text{Safety stock} = K \times \sqrt{D}$$

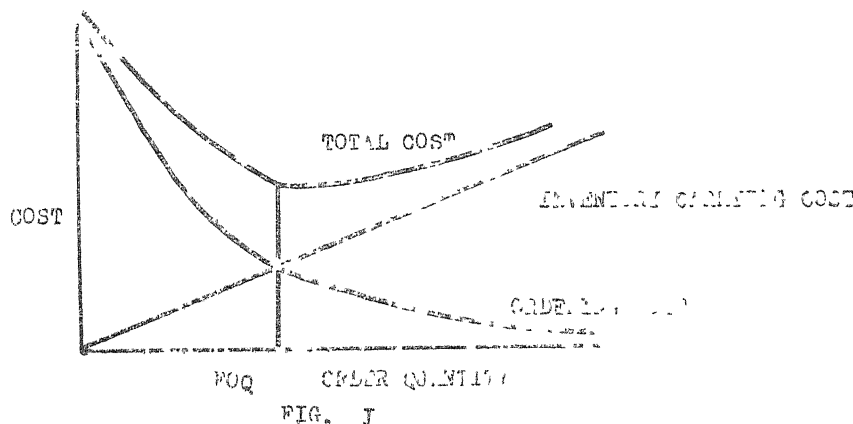
Where, K is the safety factor, whose value will be 1 for 84 per cent service level, 1.65 for 95 per cent service level and 2.33 for 99 per cent service level. (Here the service level means the percentage of times demand can be met from the stock on hand), and D is the demand during leadtime.

Economic Order Quantity : In general, goods are cheaper when purchased in bulk quantities. But this is not always true. The following two factors are important for calculating the economic order quantity known as "EOQ:"

- (a) **Inventory Costs**—These consist of carrying costs and reordering costs. Their components and method of estimating these costs has already been discussed.
- (b) **Annual consumption**—The EOQ depends on the annual usage of an item. In the case of specific works, the usage of materials can be accurately assessed to meet the requirements. But in the case of regular consumption items required for maintenance, an estimate has to be made of the future requirements. If there is a stable demand, the simplest method is to use the average of past consumption data available. In case there is a definite trend, a moving average may be used. A

third method is to use a weighted average giving more weightage to more recent history.

The relationship of the inventory cost and the carrying cost is shown graphically in Fig. 1.



The total cost is minimum when the two individual costs are equal. The point at which the total cost is minimum, gives the EOQ.

For a simple inventory model, the EOQ can be calculated as under:

If for a particular item,

A is annual value of consumption;

O is cost per order;

I is inventory carrying cost as a ratio of the cost of inventory;

Q is the value of the order; then

$$\text{Average inventory} = \frac{Q}{2}$$

$$\text{Inventory carrying cost} = \frac{Q}{2} \times I$$

$$\text{No. of orders in a year} = \frac{A}{Q}$$

$$\text{Cost of ordering} = \frac{A}{Q} \times O$$

$$\text{Total cost in a year} = \frac{AO}{Q} + \frac{QI}{2}$$

For this to be minimum, its derivative with respect to Q is equated with zero to get

$$Q = \sqrt{\frac{2AO}{I}}$$

It will be interesting to note that should the annual consumption double, the order quantity does not get doubled, but is only proportionate to square root of the annual consumption. However, the mathematical formula cannot be blindly applied. Along with the mathematical model one has to take into account pecking, transportation, storage and other related problems.

An Example of EOQ : In the engineering stores of a municipal corporation, a particular auto spare part comes up for purchase. The cost of this part is Rs. 10 per unit. The annual usage rate is 1200 units. The carrying cost is 24 per cent of its value per year. The ordering cost is Rs. 10 per order.

The municipal stores generally buy once a year. So if the order is placed for

1200 units, the average inventory for the year will be 600 units valued at Rs. 6,000. The carrying cost will be 24 per cent of 6,000 or Rs. 1,440 and the reordering cost will be Rs. 10. The total yearly inventory cost will then be Rs. 1,450.

On the other hand if the stores order economic order quantity which is equal

$$\text{to } \sqrt{\frac{2AO}{I}} \text{ or } \sqrt{\frac{2 \times 12000 \times 10}{24}} \text{ or } 100$$

units per month, the average inventory in stock will be 50 units with a carrying cost of 24 per cent of Rs. 500 (= Rs. 120) and a reordering cost of Rs. 12×10 (= Rs. 120) for a total of Rs. 240. This amounts to a yearly saving of Rs. 1,210. Multiply the effect for hundreds and thousands of items and the results shall be obvious.

Of course, this example is oversimplified, but it illustrates the benefits one could reap out of good inventory management.

ABC Analysis: The rules and regulations concerning material control in municipalities are generally based on stores Account Code, which lays uniform procedures for their control. Such an approach does not give the best results. The ABC analysis provides a means of selective control on the basis of value classification of inventories. Generally, a few of the items of inventory, group A, account for the greatest cost; some of the items, group B account for a small amount of the cost; and group C having the largest number of items accounts for a very small amount of the cost. While grouping, care should be taken to classify certain critical low-cost essential items also in Group A. (See Fig. 2 on page 34).

The 'A' group items should be controlled at the highest possible level. For example, in the engineering stores of a municipal corporation items like cement, steel, bitumen, ACC sheets and steel structures should be reviewed frequently by the Chief Engineer for corrective action.

Latest techniques of forecasting, determining order quantity & safety stock, etc., should be used for these items. B items should be controlled at a middle management level. Items like timber, paints, columns and implements, etc., may fall in this category. These items should be watched carefully and reviewed periodically by say, the Executive Engineer. Large number of low-cost routine items falling in the C group may not be subjected to strict controls. They may be handled at the store-keeper level. The items of this category may be ordered in bulk once in a year keeping enough safety stock so that frequent reviews are not required.

Reordering Methods: A very important inventory decision is when to reorder (how much to reorder being determined by EOQ). There are two common methods used:

- (i) **Fixed Time Method**—This method requires a periodic review of the stock at fixed intervals of time and placement of an order based on the requirements. The closer the intervals, the better the control. This method is suitable for A & B items. A items may be reviewed everyday and B items may be reviewed every week or every fortnight.
- (ii) **Maximum-minimum Method**—In this method, which is also known as two bin system, a reorder is made everytime the stock level gets to a certain level called reorder level which is equal to leadtime requirement plus safety stock. The quantity above the reorder point is referred as first bin and the quantity below the reorder point is referred as the second bin. As soon as the first bin is exhausted, it automatically gives a signal for placing a reorder for EOQ. The reference to two bins does not mean that there must be two distinct storage areas. All the material may be

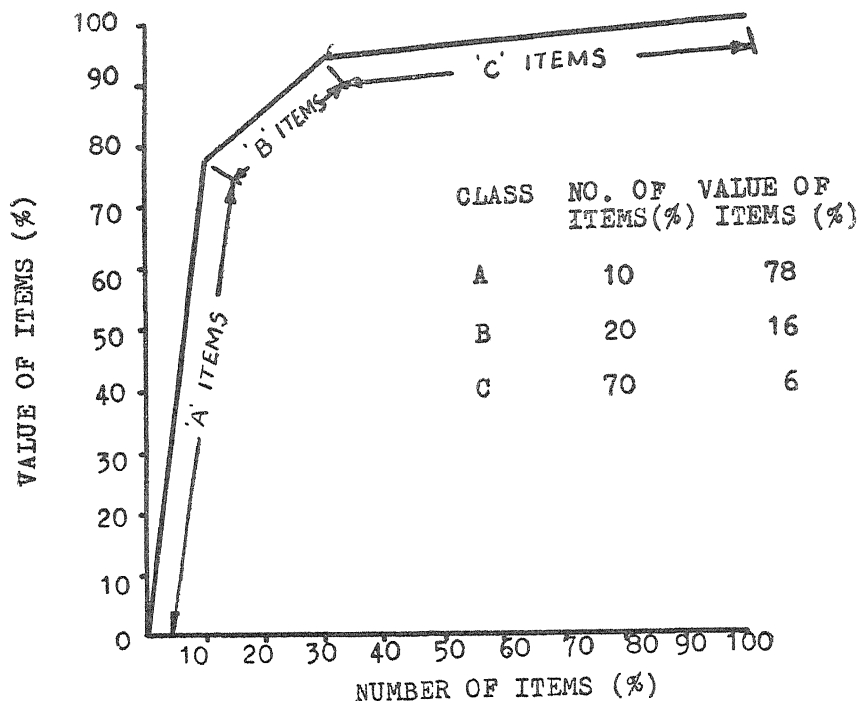


FIG. 2

stored together because distinction could be made on the bin card.

Inventory Turnover : Inventory turnover is defined as the ratio of the value of materials consumed to the average investment in inventories for the same period.

$$\text{Inventory Turnover} = \frac{\text{value of material consumed}}{\text{value of average inventory}}$$

Inventory turnover is a very useful index of inventory control. The higher the index, the lower the inventory levels and lower the cost of maintaining the inventories. The top management can keep itself informed of the broad situation through the use of such an index. If the annual cost of materials going into

various projects and services undertaken by a municipal body is Rs. 100,000 and the average inventory is Rs. 25,000 the inventory turnover ratio is 4. This ratio in the Western countries is above 5 as against 1 to 2 in India.

Codification

In order to introduce scientific planning in the stores, all stock items should be identified and listed by number. By classifying parts according to their permanent characteristics, similar parts can be grouped together and many unnecessary or obsolete items can be eliminated. Identification numbers also help the store-room force to put similar materials together. A rationalized codification system improves efficiency and reduces paper work.

In general, a numerical code is preferable to alphabetic code since it is amenable to easy processing and analysis. A typical example may be a six digit code in which the first two digits denote 'class', the next two digits denote sub-class and the last two digits denote a serial number of the item under each sub-class.

Inventory Records

An inventory record is essential for keeping a running account of the incoming materials, outgoing materials and the balance on hand. A proper recording system should facilitate instant checking of quantity on hand and the activity of the particular item.

To have a complete record of the activity of an item, management should arrange for the following information to be on inventory record card:

- (i) The item number and name.
- (ii) The location in the stock room.
- (iii) The normal ordering point and the ordering quantities.
- (iv) Receiving information—date, purchase order number, quantity received and unit cost.
- (v) Reservation information—date, quantity reserved, reason.
- (vi) Issued information—date, requisition number, quantity and unit cost.
- (vii) Balance—quantity and unit cost.

Management Reporting

In order to exercise proper control of inventories, management should get periodic reports. The number and format of reports may vary according to the needs, but the following are the minimum basic reports.

1. Daily/weekly stock status report of A items.

2. Monthly report of inventory holdings for A & B items. The management must lay down targets of inventory holdings, evaluate actual holdings against these targets, determine variance between targets and actuals and take corrective measures.

3. Monthly report on nature of stock-outs, losses due to stock-outs and action taken.

4. Monthly list of non-movable items.

Centralization Vs. Decentralization of Stores

There is no cut and dried formula for deciding centralization or decentralization of stores. It depends upon the volumes involved, physical distances, storage space available, nature of materials and nature of organization. Central store-rooms require less personnel and can place bulk orders whereas decentralized stores require more personnel, reduce delays and cost less in handling of materials. The decision should be taken considering all the above factors.

Inventory Storage and Handling

Storage areas should be located for minimum transportation. They should be laid out for easy access to materials. Materials most frequently used should occupy the most accessible locations.

Normally materials have to be stored in such a way that the older items are used first. Stock-rooms of any size should have locations designated, such as Aisle No., Row No., Bin No., Rack No., etc.

The stock rooms should be kept free of dirt. Materials should leave the stock-room in as good a condition as when they are received. Obsolete items and any items which have become damaged in storage should be written off as soon as they become obsolete.

Supervision of Stores

Following steps are necessary for effective supervision of stores :

- (i) No material should be issued without proper stores requisition.
- (ii) The store-keeper should be held responsible for all materials. This can be accomplished if the room is properly enclosed and locked and if only authorized personnel are permitted to handle issues and and receipts.
- (iii) Physical inventory should be used to verify the balances on books. It can be done in two ways.
 - (a) A complete shut-down of activity during which inspecting team will count all material in stores.
 - (b) A better method is a continuous physical inventory. Under this system, a certain number of items (according to previously drawn schedule) are counted

everyday or week and the records adjusted accordingly so that each item is physically verified at least once in six months.

Constraints

There are certain constraints imposed by the market conditions. The constraints given below must be kept in mind while exercising materials management:

- (i) Inflation—In the inflationary economy of today, when the prices keep rising, the due consideration has to be given to price movements. If the price rise in certain items is expected to offset inventory carrying costs, it may be advantageous to maintain large stocks. Similarly, if shortages are likely, stocks of those particular materials must be built in advance.
- (ii) Government Restrictions—When certain items are licenced or there are other restrictions imposed by the government which make it difficult to acquire certain supplies according to a schedule it may be desirable to keep high safety stocks.

LEGAL FRAMEWORK OF MUNICIPAL MANAGEMENT— SOME ASPECTS

M. K. BALACHANDRAN*

The frequency with which legal problems arise in the management of municipal affairs cannot be over-emphasised. Law provides the basis for the existence of municipal bodies as well as the framework of rules for such bodies to function. With the multiplicity of municipal functions and the consequent increase in the complexity of municipal problems, this legal framework has been undergoing frequent changes either on account of new legislation in municipal and allied fields or through judicial interpretations. Further, while municipal authorities have to function within the framework of municipal law, their actions are also subject to a host of other laws such as the law of torts, contracts, land acquisition, labour laws etc. The present paper is an attempt to throw some light on the legal framework within which the municipal management has to function in dealing with municipal administration.

Rule of Ultra Vires

The rule of *ultra vires* is of vital significance to municipal management as it has its impact on the various activities of municipal administration. Thus, a contract entered into by a municipality outside the powers granted to it by the statute¹ or an unauthorised delegation of a statutory power² would be *ultra vires*. Same would be the fate of an unreasonable exercise of a discretionary power³ or an improper use of a statutory power⁴. The principle equally applies in the exercise of rule-making or bye-law making powers also.⁵ The significance of this principle lies in the fact that if an action taken by a municipal authority is held to be *ultra vires* then it is null and void and has no effect in law. Being a creature of a statute⁶ it will be necessary for municipal

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¹ *H. S. Rikhy v. N. D. Municipality* (A.I.R. 1962 S.C. 554).

² *Mangal Chumilal v. Manilal Maganlal* (A.I.R. 1968 S.C. 822).

³ *Taylor v. Munrow* (1960) All E.R. 455.

⁴ *Webb v. Minister of Housing and Local Government* (1965) 2 All E.R. 193.

⁵ *Municipal Board, Ghaziabad v. Rizwan Beg* A.I.R. 1965 All. 544.

⁶ The constitution, powers and duties of municipal bodies are provided for by the Municipal Acts enacted by the different state legislatures in pursuance of the power conferred by Entry 5 in the state List of the Constitution.

bodies to show that they have statutory authority for what is done or what they propose to do. In other words, they can do only those acts which they are authorised to do by the governing statute either directly or by implications. If they act otherwise than in this way their action will be held to be *ultra vires*. Thus, when the statute empowers the corporation to establish wash-houses for the use of the public, it would be an *ultra vires* act if under the purported exercise of that power, the authority undertakes a laundry business'. Similarly, when the Act empowers the municipal body to require licence to be taken for the manufacture, sale, etc., of specified articles of food and drink and to prohibit such manufacture or sale in unlicensed premises, then if the municipality makes a bye-law restricting the sale of such articles to one particular locality demarcated for the purpose, the bye-law would be *ultra vires* being outside the powers granted by the statute.⁸

An act of a municipal authority may be *ultra vires* not only if it is one which it is not empowered to do (substantive *ultra vires*), but also if it is done in a manner different from that prescribed by the governing statute (procedural *ultra vires*). For instance, when the statute empowers the authority to impose certain taxes and provides for an elaborate procedure for doing so, the imposition would be *ultra vires*, if the procedure is not strictly followed. Thus in *Nagar Mahapalika, Vararasi v. Durga Das Bhattacharya*⁹ the Supreme court observed that it was impossible for the municipal board to impose a tax (under the guise of licence fees) without following the mandatory procedures for imposition of taxes prescribed by sections 131 to 135 of the U.P. Municipalities Act, 1916.

However, those acts which are reasonably incidental to a power expressly conferred by the statute, may be regarded as impliedly conferred by the statute. Thus the court might uphold the establishment of a printing press by the municipal authority for the purpose of executing all printing works required by them on the ground that it is "incidental to" or "consequential upon" the carrying out the authority's statutory duties.

While our municipal laws have followed the English practice of specifying in law, the powers and functions of the authorities and they are subject to the rule of *ultra vires*, in such countries as France, Sweden or Norway, the principle that is in vogue is the principle of "general competence" under which the local authority is empowered to render whatever services the community needs, provided they do not encroach upon the functions of other authorities. It has been pointed out that the doctrine of *ultra vires* by confining the area of operation of the local authorities to statutory limits "puts a break on progress" and that "it does not encourage an imaginative and venturesome outlook" while the principle of general competence "ministers to the pride of the authority" by enlarging their area of activity. In England, the Committee on the Management of Local Government¹⁰ has pointed out the desirability of softening the rigours of the *ultra vires* principle in its application to local authorities and has recommended that the local authorities should be given a general competence to do, in addition to their specific statutory duties and permissive powers, whatever that is needed to meet the requirements of the community. But even after the passing of the Local Government Act, 1972 the doctrine still remains an integral part of the English local government.¹¹

⁷ *A. G. v. Fulham Corporation* (1921) 1 ch. 440.

⁸ *Haji Ismail Haji Mohd. Ranzan v. Municipal Committee, Malerkotla* A.I.R. 1962 Punj. 364.

⁹ A.I.R. 1968 S.C. 1119.

¹⁰ *Report of the Committee on the Management of Local Government* (1967), Vol. I.

¹¹ "Certainly it cannot be said that the Act (the Local Government Act, 1972) abolishes the *ultra vires* doctrine, or indeed makes more than a minute dent in the surface of the principle. Indeed, in one respect, it could be said that the Act strengthens the doctrine". J. F. Garner: "The *Ultra Vires* Doctrine and the Local Government Act," *Local Government Studies*, February, 1973.

The effect of this doctrine is this : Before a municipal body undertakes any new activity it must ensure that it has got sufficient statutory authority to enter into that new field. Otherwise the action would be held invalid by the courts. It is for the authority to bring about necessary legislative changes before engaging itself in such an activity so as to exclude the application of the doctrine.

Tortious Liability

Municipal tort liability is yet another important aspect which should be of vital concern to the management. In this regard, municipal bodies are kept on the same footing as private individuals and their liability is governed by the general principles of the law of torts. However, in view of their statutory functions and duties of rendering services to the public, some deviations are made in the application of the ordinary law of torts to such bodies.

Being fictitious persons, municipal bodies can act only through their agents or servants and as such they are governed by the doctrine of vicarious liability. Under this doctrine a master (employer) is held vicariously liable for the torts committed by his servant (employee) acting in the course of employment. The interpretation of the expression "course of employment" has, however, created some confusion. Judicial attempts in this regard evidence wide divergences of views. Thus, where a student got injured while preparing the teacher's lunch as directed by her teacher who was an employee of the corporation, the court held the corporation liable on the ground that the act of the teacher was within the scope of employment even though it was not within the scope of authority given to

her.¹² Similarly, where the driver in the employment of the state government entrusted the driving of the vehicle to the mechanic, and the vehicle met with an accident, the court held the government liable for damages. The act of the driver, the court observed, was, an improper mode of performing his duty as a driver and was, therefore, an unauthorised way of acting within the scope of his employment.¹³ But where the driver allowed the cleaner to learn driving and while giving trial, met with an accident, the court held that the master was not liable because the act was not done in the course of employment.¹⁴

The distinction drawn in earlier times, between *intra vires* and *ultra vires* acts of a municipal body in fixing up the liability,¹⁵ has been done away with by later decisions of the courts. Thus in *Campbell v. Baddington Corporation*¹⁶ the Corporation was held liable for committing a nuisance by authorising the council's servants to erect a stand on the highway for the councillors and their friends to watch the funeral procession of Edward VII. The council's contention that being a statutory corporation it could not be used in tort because it had no statutory authority in law to authorise the erection of the stand, or in other words, the defence of *ultra vires*, was rejected by the court. The principle laid down in this case was not accepted and upheld in India in a Madras case where it was held that the municipal council was liable for an unlawful act and the fact that it had acted in excess of its statutory powers was not a defence to the action but was an aggravating circumstance.¹⁷

Municipal enactments usually contain provisions absolving the municipal bodies

¹² *Smith v. Martin and Hull Corporation* (1911) 2 K. B. 775.

¹³ *U. P. Government v. Ram Milan A.I.R.* 1967 All. 287.

¹⁴ *A.I.R.* 1966 S. C. 1697.

¹⁵ In the United States, however, *ultra vires* constitutes a valid defence if the city was acting beyond the scope of its lawful powers. See Charles S. Rhyne, *Municipal Law* (1957), pp. 739-740.

¹⁶ (1911) I.K.B. 869.

¹⁷ *Thiruveriamurthi Pillai alias B. T. Pillai v. Municipal Council Shencottah A.I.R.* 1961 Mad. 230.

from liability "in respect of anything in good faith done or intended to be done" under the Act or under any rule or bye-law made thereunder.¹⁸ This provision came up for interpretation before the Bombay High Court in *Kailas Sizing Works v. Municipality of Bhiwandi and Nizampur*,¹⁹ where the Court laid down the following principles :

"If a municipality acts in discharge of statutory duties, whether enjoined or unauthorised (permitted) as long it acts honestly, no action would lie against it even if it acted negligently. But if it did not act honestly, the negligence would be actionable. The plaintiff must in such action establish want of good faith or honesty in addition to the negligence."

"In order to act in good faith, a person must act honestly. A person cannot be said to act honestly unless he acts with fairness and uprightness".

"If things authorised to be done by a statute are carelessly or negligently done, an action is maintainable ; such a breach is known as statutory negligence."

The Court held in this case that the action taken by the municipality was carried out with wilful and wanton negligence without good faith causing damage to the plaintiff's property and that the suit was not barred by Section 160 of the Bombay Municipal Act, 1901. The municipality was, therefore, held liable for damages.

Another question which comes up for consideration is whether an individual can file an action in tort against a municipal body for its failure to carry out its statutory functions. As far as discretionary powers are concerned there will not be any liability even if the non-exercise of

the discretion injures a third party. Thus if the authority has a discretionary power to provide street lighting and decides not to exercise that power, it is not liable to an individual injured in consequence of the dark condition of the streets at night. On the other hand if the authority decides to exercise that power, it should exercise it carefully and if it fails to show due care, it is liable for its negligence to an individual injured in consequence.

But the position is slightly different in the case of failure to carry out its mandatory or obligatory duties. In some Municipal enactments there are specific provisions absolving the municipal bodies from liability for non-performance of such duties.²⁰ The general law, however, is that unless the duty is specifically directed for the benefit of an individual and it is shown that the statute intended to give a right to its enforcement, an action for tort will not lie where the authorities have violated their general statutory duties.²¹ However, if the municipal body exercises its statutory powers to the injury of the public, the injured person may be entitled to sue. Thus where the Building Inspector's negligence in approving unsatisfactory foundations result in the financial loss of an individual, then the individual has a right to sue the municipality, for "the purpose of building bye-laws, including the inspection of the site in course of erection, is the protection of the public."²²

As occupiers of public properties, municipal bodies owe a duty of taking due and reasonable care for the safety of the public using the premises as invitees or licencees. The legal position in this regard was clearly explained by the Supreme Court in the case of *Municipal Corporation of Delhi v. Subhagwanti*.²³ Here,

¹⁸ e. g., Section 167 of the Bombay District Municipal Act, 1901; Section 477 of the Delhi Municipal Corporation Act, 1957.

¹⁹ A.I.R. 1969 Bom, 127.

²⁰ e. g., Section 66 of the M. P. Municipal Corporation Act, 1955.

²¹ Street, *Law of Torts* (1961), pp. 270-271. It may, however, be mentioned here that a writ (mandamus) can be issued against the authority to discharge its statutory obligations. *S. R. Tiwari v. District Board, Agra* A.I.R. 1964 S. C. 1680.

²² *Dutton v. Bognor Regis UDC* (1971) 2 All. E.R. 1003.

²³ A.I.R. 1966 S. C. 1750.

three persons were killed by the collapse of the clock tower which belonged to the Delhi Municipal Corporation and the successors of the deceased instituted suits claiming damages from the corporation. The Court held the corporation liable for negligence because of the potential danger of the clock tower maintained by it having not been subjected to a careful and systematic inspection which it was its duty to do. The Court observed :

"The legal position is that there is a special obligation on the owner of adjoining premises for the safety of the structures which he keeps besides the highway. If these structures fall into disrepair so as to be of potential danger to the passerby or to be a nuisance, the owner is liable to anyone using the highway who is injured by reasons of the disrepair. In such a case it is no defence for the owner to prove that he neither knew nor ought to have known of the damages. In other words, the owner is legally responsible irrespective of whether the damage is caused by a patent or latent defect."

Staff Control

The management frequently faces a variety of legal problems in matters relating to staff control. The management has the right and duty to maintain proper discipline in the organisation for efficient administration and as such has the right to suitably punish the delinquent employees; but at the same time they are required to follow certain principles and procedures in taking disciplinary action against such employees. Article 311 of the Constitution²⁴ which guarantees certain procedural safeguards to government servants is not applicable in the case of municipal employees.²⁵ However, municipal enactments

usually guarantee the same or similar protection to municipal employees. For instance, Section 95 of the Delhi Municipal Corporation Act which deals with the punishment for municipal officers and other employees, for breach of any departmental regulations or of discipline, etc., provides for similar safeguards.

The general common law is that the power of appointment ordinarily carries with it the power of dismissal, removal or taking disciplinary proceedings. When the statute provides that a subordinate cannot exercise that power of dismissal, it does not mean that it cannot be exercised by a superior officer.²⁶ But where the authority does not have the power of appointment, but makes the appointment, it will not have the power of dismissal. Thus, when the power of appointment under the law vested with a superior authority, but the appointment was actually made by the corporation, it was held that the corporation did not have the power of dismissal because "when there is a conflict between what is actually done and what ought to have been done under the law, the law has to prevail." On the other hand, when an authority higher than the one entitled under the statutory rules to order an appointment, in fact orders a valid appointment, it is the factum of that appointment that determines the matter. In such a case, if the employee is dismissed or removed from service by an authority, no doubt competent under the rules to order appointment and also to order dismissal, which however is lower in rank than the authority which in fact ordered the appointment, such an order would be invalid.²⁷

Regarding the question of delegating the power of dismissal to a subordinate, the

²⁴ This Article gives two-fold protection to civil servants, viz., (i) against dismissal or removal by an authority subordinate to that by which they are appointed, and (ii) against dismissal, removal or reduction in rank without giving them reasonable opportunity to represent their case and to show cause against the actions proposed to be taken against them.

²⁵ *Mangal Sam v. State of Punjab* A.I.R. 1952 Pun. 58; *Kishori Lal Butra v. Punjab State*, A.I.R. 1958 Punj. 402.

²⁶ *Karmadeo v. State of Bihar* A.I.R. 1956 Pat. 228.

²⁷ *Parameshwar Dayal v. State* A.I.R. 1963 Raj. 126.

Supreme Court, in a recent case²⁸ has categorically declared that the appointing authority cannot delegate his rank even if there is statutory authority to delegate his powers and functions to a subordinate. The Court observed :

“What is involved in matters of appointment and removal is the status and rank of the employee and the status and rank of the authority taking action. When the proviso to sub section (1) of Section 95 says that an officer and an employee shall not be dismissed by an authority subordinate to that by which he was appointed, the subordination is of rank and not of functions. The proviso places an embargo on any subordinate of the appointing authority from removing or dismissing an employee from service...”²⁹

It may be mentioned here that termination of service in pursuance of service rule or agreement (contract of service) is different from dismissal or removal. When the service rules provide for termination of service and the services are terminated in accordance with those rules and this is also mentioned in the order of termination, then it is valid termination.³⁰ But if the termination order says directly or indirectly that the employee is guilty of a misconduct, then even if the word “dismissal” is not used in the order, the discharge is punitive because the order casts a stigma or aspersion on the employee concerned. Thus, when the services were terminated on the ground that it was undesirable to continue the employee in service, it was held to be an order of dismissal and not a mere order of discharge.³¹ When the discharge amounts to a punishment, an enquiry will be necessary.

If a right exists under the contract or the service rule to terminate the service then the motive operating in the mind of the management is irrelevant and the termination is not a punishment.³² When the management chooses the alternative of terminating the appointment under the relevant rules instead of dismissing the employee, the mere fact that an antecedent enquiry is conducted, does not make the order *mala fide* or punitive in nature. Even if the management thought that the employee was a cantankerous person and that it was not desirable to retain him in service,³³ it was open to them to terminate his services in accordance with the contract of service. However, the mere use of the expression “terminate” or “discharge” is not conclusive and the test is to see whether the employer has been visited with evil consequences or not. The order should not be coupled with observations on the alleged misconduct of the employee concerned. This principle equally applies in the case of orders of reversion as well as compulsory retirement. Thus it was held that reversion on the ground of unsatisfactory conduct without giving opportunity to explain would amount to reduction in rank.³⁴ Similarly the order of compulsory retirement saying that the officer has outlived his utility would amount to removal from service.³⁵

Another question which came up for consideration before the courts was whether judgments of criminal courts were binding or not on disciplinary authorities. It has been consistently held that if the acquittal by the criminal court was solely on the basis of benefit of doubt or on other technical grounds such as lack of evidence, etc., the enquiry conducted by the management in relation to the same conduct would not be barred by the conclusion of the criminal court.³⁶ But the

²⁸ *The Management of D.T.U. v. B. B. L. Hayley* 1973 M.C.C. 16.

²⁹ *Ibid* p. 21.

³⁰ *Union of India v. Kartar Singh*, A.I.R. 1968 P & H 106.

³¹ *Jagdush Mitter v. Union of India* A.I.R. 1961 S.C. 449.

³² *Ishwar Singh v. Dist. Board* A.I.R. 1961 All. 292.

³³ *D.T.U. v. Balbirsaran Goel* 1970-II LLJ 20 (S.C.).

³⁴ *Wadhwa v. Union of India* 1964-ILLJ 395.

³⁵ *State of U. P. v. Madan Mohan* 1967-II LLJ 63.

³⁶ 1970-II LLJ 204.

position may be different when an employee is honourably acquitted. The law in this regard has been succinctly summarised by the Supreme court in *Indian Airlines Corporation v. Sukhdeo Rai*³⁷ where the court observed that if the authority did not app'y its mind to the earlier judgment of the criminal court on the same conduct, then its action might be held to be invalid on the ground of *malu fide*.

There has been conflict of opinion on the question whether an order of dismissal of a municipal servant in breach of a rule governing the conditions of his service renders the order void so as to entitle the employees to a declaration that he continues to be in service and to arrears of salary or whether it renders the order merely wrongful so as to entitle the employee only to salary in lieu of the period of notice.³⁸ In one of the recent judgments the court even made a sweeping observation that "it was wrong to treat the case of a municipal servant on a footing different from that of a private employee."³⁹ It is however settled by the Supreme court by its ruling in *Sirsi Municipality v. C.K.F. Tellis*⁴⁰ that dismissal of a municipal servant in breach of a statutory rule would be illegal and void and the servant in such a case would be entitled to a declaration that he was deemed to have continued in service.

Conclusion

As has already been pointed out, since

municipal activities are governed by the rule of *ultra vires*, the management has to show sufficient statutory authority for all their actions. Necessary legislative changes will have to be brought about before undertaking new ventures. Regarding tort liability, the recent trend in litigations indicates the citizens' awareness of their rights against wrongful acts of the authorities. If the decision in *Kailas Sizing Works*⁴¹ is to be the criterion, the management may not be able to take shelter under the 'good faith' clause for the statutory negligence of their staff. In matters related to staff control, it is true that rigid legalistic approach may do more harm than good; but when the conduct of employees demand severe action, the management should not only be stern and impartial but should also conform to the relevant rules and regulations. Scant regard for statutory provisions and the law might adversely affect the action taken by the authority in disciplinary matters. It may be pointed out here that in a good number of cases, the dismissal orders were quashed on technical grounds such as failure to follow the principles of natural justice. When the judicial trend insist that even administrative orders involving civil consequences must be made consistently with the principles of natural justice⁴², there is no justification for the management to ignore statutory rules incorporating those principles. The decision in the *Sirsi Municipality* case is a pointer in this regard.

³⁷ 1971 I LLJ 496 (S.C.).

³⁸ e.g., *S. R. Tewari v. District Board Agra*; A.I.R. 1964 S.C. 1680. *Ratilal Chhaganlal v. Dhari District Municipality* A.I.R. 1971 S.C. 749; *Sirsi Municipality v. C. K. F. Tellis* A.I.R. 1973 S.C. 855.

³⁹ *M. S. Jondhale v. Sangamner Municipality* 1973-I LLJ 330.

⁴⁰ A.I.R. 1973 S.C. 855.

⁴¹ A.I.R. 1969 Bom. 127.

⁴² *State of Orissa v. Dr. (Miss) Binapani Dei*, A.I.R. 1967 S.C. 1269.

OPERATIONS RESEARCH IN URBAN MANAGEMENT

INTRODUCTION

This paper has been addressed more to the administrator, rather than the academic specialist, in the hope of motivating the former towards the application of Operations Research methods in Urban Management. Urban Management has been interpreted here as a catchall for the entire range of decision-making and implementation activities involved in overall urban development as well as in the provision of various Urban services. In a broad arrangement of all such activities, one might argue, the methods of Operations Research can be relevant at three distinct levels. The first level is what we shall call the integration of urban planning with National Economic Planning. The second level is Intra-Urban Management and the third is the management of specific Urban services.

The first level, *i.e.*, integration of urban planning with national economic planning essentially involves the dovetailing of plans for all urban areas and regions in an economy as well as dovetailing of this spatial dimension with the inter-sectoral and inter-temporal dimensions of national economic planning. In the literature this type of elaborate planning is now described as multi-level planning. The use of Operations Research in such multi-level planning problems really belongs to the domain of national management rather than urban Management. It has, accordingly, been left out of the subsequent discussion. The focus of this paper is on the application of Operations Research (OR) at the other two levels of Urban Management, *viz.*, Intra-Urban management and the management of specific urban services.

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SUDIPTO MUNDLE*

Intra-Urban management includes the formulation and implementation of plans for overall Urban development, allocation of resources between existing and new Urban services and the physical integration of these services. Use of OR methods

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in tackling these problems of the total Urban system have been discussed first. Later there is a discussion about the application of OR in specific segments of the total Urban system, *i.e.*, in the formulation and implementation of plans within individual Urban services. Then follows a somewhat more analytical discussion on methodological trends in the evolutions of quantitative modelling techniques. It attempts to lend some insight into the direction in which such techniques should move in order to perform most usefully the analytical functions in Urban Management. In the end there is a brief discussion of the incorporation of OR methods in Urban Management in the Indian context.

OR IN MANAGEMENT OF THE TOTAL URBAN SYSTEM

Management of the total urban system involves the formulation and implementation of an Urban development programme incorporating in the programme both new services as well as improvements in existing services. We shall draw attention to some important characteristics of this general task which lead us almost immediately into precisely those types of problems which OR is designed to tackle.

First of all, I suggest that the overall problem of urban development be viewed as a development problem in explicitly spatial terms (Harris in 1968). Moreover, it is a supportive type of development problem in the sense that urban development is not an end desirable for its own sake. Rather, it is a development desired in order to meet the requirements of a concentrated growing mesh of economic activities and the people involved in these activities (Masser 1972). Consequently an urban development programme is not something which can be planned by itself. Instead it must be tailored to provide specifically the infrastructure and social overheads, including various services, which will be necessary for accommodating the level and pattern of economic activity that is likely to occur within the time horizon of the urban policy-makers.

Secondly, urban development is not something which can be left to itself to follow its own natural process with urban management reduced to a few marginal programmes that leave the basic natural processes of urban development tend to be anarchic rather than systematic and lead to urban crisis unless they are consciously controlled and manipulated (Harris 1972).

A third important feature of urban development is the highly interdependent nature of activities involved in it. Almost every activity will significantly affect several other activities. To take only one example, consider construction of a new highway from a city. This will immediately affect the location of economic activity and cause some housing displacement. This in turn will affect movement of traffic; the spatial patterns of demand for services like police, fire, telephone, water and electricity; and perhaps even the locational pattern of health services and neighbourhood welfare schemes. Furthermore, not only are the various activities highly inter-dependent, but they also usually carry significant externalities. To extend the same example, the construction of the new highway would lead to several external effects. Water quality might deteriorate; so would the quality of air in the new centre of economic activity. On the other hand, there might be a rise in local commercial activities, *e.g.*, retail stores, entertainment, bank branches, etc., at the cost of other areas, resulting in a spatial transfer of income within the city.

The last, and certainly not the least important, aspect of urban development programmes is that they invariably involve conflicting interests of different groups—be they different socio-economic classes, different professional groups or different spatial communities within the same city (Kayes, 1969).

The fact that urban development must meet specific requirements of economic

activity and the associated population, requires comprehensive yet manageable intelligence. Socio-economic and demographic trends need highly accurate quantitative forecasting while the existing urban situation needs equally accurate and quantitative mapping. This is only a first step towards designing policies for transforming the urban 'state of the world' and bringing it in line with the requirements of economic development.

At the same time, since choices in urban development usually involve conflict of interests between different groups, it is necessary to have a rigorous and comprehensive framework of policy analysis. The implications of a policy or set of policies can then be sharply defined *vis-a-vis* alternative policy packages. Furthermore, the interdependence of a large number of activities also requires that this framework of policy analysis be sufficiently elaborate, and the analytical methods sufficiently powerful, to explicitly take account of all the important inter-relations of the total urban system in a single exercise.

It turns out that the range of quantitative methods described as Operations Research is ideally suited to cope with precisely the type of problem which we have just described above. The approach of OR is to measure quantitatively the basic elements of a problem, including the objectives to be met, place them in a related structure and derive efficient policy solutions for the problem through mathematical operations. Though such modelling techniques have become extremely powerful, development planning of the total urban system still requires modelling by stages (Kilbridge, O'Block and Tepitz, 1960). Different parts of the total problem are solved through different methods and these results are finally brought together in what we might call the core model for the final results.

Typically, the first set of problems relate to generation of information regarding the extent urban situation and the

likely trends of natural development and its presentation in a manageable form. Such information would require forecasting of population and working force, forecasting of economic activity and interactions between these. Econometric models of regression, input-output models, Markov processes, etc., are some of the useful techniques used at this stage. These have further to be mapped and forecast spatially to present the immediate background for the central problem of Urban development. One popular method of doing this is to construct what are called spatial interaction models (Masser, 1972).

At this stage of the modelling exercise certain other forecasts might be required about some special characteristics of a particular urban development problem. Also required at this stage is an identification of the available policy instruments and the entire range of objectives which the urban policy-maker hopes to attain.

The stages of modelling described above may be described for convenience as the 'information inputting' or 'intelligence gathering' exercises. At the next stage of modelling the results of the foregoing analyses have to be brought together. The task of the model builder, at this stage, is not to make policy choices—that is the task of the Urban policy maker—but to provide an inventory of which sets of policies are best suited to meet which sets of objectives (Laidlow 1972). Two specific modelling techniques which deserve mentioning here are mathematical programming—especially linear programming—and simulation.

Mathematical programming models are basically resource allocation models where, subject to some resource constraints and special restrictions about certain activities, the level of operations of various activities are determined. They are determined as being optimal with respect to a particular objective function which quantitatively represents the priorities and objectives of the policy

maker. By playing around with constraints and objective functions in what is called 'sensitivity analysis' a whole range of allocations can be generated. Each states the best development of resources between various urban services, or projects for developing those services, for a particular set of objectives. Policy makers must then choose between either the alternative sets of objectives or alternative allocation programmes but not both. The explicit mapping of objectives into optimal programmes reduces the element of subjectivity and incongruence between public choice of objectives and the not so public allocation of resources.

Simulation is a somewhat less elegant technique which can take care of the very large and perhaps not so well defined problems which programming and other methods cannot tackle (Kilbridge, O'Block and Teplitz, 1970). This brings the problem as close as possible to reality without making it unmanageable. Stated most simply, simulation runs the estimates of 'status variables', *i.e.*, those describing the 'states of the world' and other forecasts, together with a set of policy variables through a modelled structures of relations (not always formally defined functional relations) to arrive at a computer estimate describing the new 'state of the world'. Runs with same policy variables describe how the selected policies will change the 'state of the world' over a period of time. Alternatively running the exercise with alternative sets of policies yields an analysis comparing the 'impact' of different policy packages on the existing Urban situation.

Finally, when the major decisions are made and the policymakers have chosen a particular urban development programme OR can once again enter at the stage of sequencing different projects and phases of individual projects rationally over time. This class of OR exercises is usually described as network analysis, since they break up a programme and

specific projects of the programme into a logical network and point out the resource-wise most efficient path to be selected from the network to meet certain time targets. These exercises can then be used to monitor the execution of the programme.

OPERATIONS RESEARCH IN MANAGEMENT OF URBAN SERVICES

The use of OR methods in planning the development of a total urban system which we discussed above does not exhaust the field of OR application in Urban management. The second level of such applications and perhaps, historically, the more important one is the area of individual public services.

With the changing role of Urban government, the list of urban services is becoming almost inexhaustible. It will be noticed that almost all these urban services are, in a sense, public goods (Margolis, 1968). The demand for such goods cannot easily be reflected in the market nor satisfied by the market. We had also noted earlier the highly inter-dependent character of these services. For both these reasons, urban policy makers have felt the need in recent times to fall back time and again on something more than simple rules of thumb. The greatest advantage of OR in this area lies in its flexibility. Since the demand estimation and supply planning problems of urban services are peculiar, it has been necessary to devise special quantitative methods specific to a problem. This is precisely the requirement for a highly flexible kit of methodological tools which OR has been able to satisfy.

In the short space available here we cannot go into any detail about any particular method or any specific application. However, an indicative reference to some areas of application should be sufficient to establish the great versatility of OR as an aid to rational decision-making in management

of urban services. Ralph, Keeney and Morse (1972) have recently presented the collected experience of experts working on an exciting range of problems in urban management. Queueing, Markov processes and inventory control models are applied to urban emergency services such as the fire service, ambulance service, Police emergency call service and the choice of blood bank inventory policy for hospitals in a city. There are also analyses of accident control, management of airport services, Pollution control, etc.

Laidlow (1972) reports some experiences with the use of Linear programming models in urban renewal and housing development as well as the planning of an entire complex of airports to serve an urban region. Ward (1964) describes some early attempts to use inventory controls models for the internal management of a municipal depot and also the use of simulation to derive an optimal plan for refuse collection and disposal.

Haring (1960) presents an interesting analysis for developing a total transport system in an extremely busy urban centre in Southern California. It derives plans for freeways, cost of mass rapid transit, etc., and emphasises the need for an integrated plan. Studies collected by Edel and Rothenberg (1972) include a few on transportation planning which take this approach. There are others which attempt to measure the economic cost of air pollution and water quality management.

Katzman (1968) offers an interesting formulation for designing a crime prevention system which not only takes account of tradeoffs between other urban services and crime prevention but also of trade offs between different crime types and neighbourhoods.

This brief reference to the literature is by no means an attempt to survey the entire field or even the classic exercises

of OR applications to urban management¹. It will serve the purpose, however, of giving the reader a feel of the extreme versatility of OR methods and the wide range of application of these methods in management of urban services.

SOME METHODOLOGICAL QUESTIONS IN OPERATIONS RESEARCH FOR URBAN MANAGEMENT

The urban administrator or policy-maker does not have to be a specialist in quantitative methods. Nevertheless, as a consumer of quantitative policy research, he must be in a position to judge the quality of work which is served up to aid him in his policy decisions. This is particularly important because the same problem can usually be approached methodologically by several alternative models (Lowry 1972). To this end, at least a casual familiarity with some methodological issues might be of value to him.

The perspective in which these issues need to be seen relates naturally to the purpose of OR applications in Urban management. We might say the purpose of Operations Research is to operationalise a theory in terms of reality and thereby derive some guidelines for improving public policy (Lowry, 1968). In other words, an OR model will always bring some theoretical propositions to the test of reality, modify or change these propositions if necessary and thus present a realistic theory based on empirical insights. Secondly, in using this realistic theoretical framework for policy analysis, it should be emphasised, it is not the job of the operations researcher to impose his own value judgment and prescribe policies. Rather, it is his job to aid the policy-maker by sharpening his judgment. This is to be done through a very explicit statement of the assumptions and objectives as well as consequences of alternative policies and programmes. This explicit listing of the available

¹Masser (1972) offers a useful bibliographical note. Guidance to the literature will also be found in Perloff and Wingo (1968), Edel and Rothenberg (1972), Haring (1972) and Drake, Keeney and Morse (1972).

alternative decisions, together with the underlying assumptions as well as consequences of each, can considerably reduce the role of subjectivity and individual bias in policy choice (Kilbridge, O'Block and Teplitz, 1970).

From this perspective we can discuss some of the methodological questions which seem to be important today in the use of OR for urban management. Harris (1968) used a fairly neat format of discussion – posing the issues as six dimensions of opposite trends in quantitative modelling. The first contrast is between *descriptive* and *analytic* models. Ideally there should be a blending of both. Unfortunately the existing attempts are usually biased wholly in one or the other direction. As Lowry (1972) pointed out, the closer we get to reality in our models the further we get from any useful theoretical insights. Evidently, there is a pressing need for an adequate yet realistic theory of urban development.

Secondly, for obvious difficulties in working with an unwieldy model, researchers seem to have a bias towards a *partial* as opposed to a *holistic* approach. The obvious need in terms of urban management is to look at problems not in isolation but in relation to other problems which are also part of the urban system. Nevertheless, it should be remembered that while holistic models are likely to be of greater use for policy analysis, some partial analyses can be of great value for deriving insights into specific problems.

A third contradiction arises between *macro* and *micro* studies. There is considerable confusion caused here by treating these concepts as synonymous with aggregative and disaggregative problems. In fact *macro* questions relate to problems of a total system while *micro* questions, are those pertaining to an individual agent or subsystem in the total system. In this sense the relevance of the two is similar to that of holistic and partial approaches.

The problem between *Statics* and *dynamics* derives, like the first two problems,

from the unavailability of an adequate theory and the difficulty of using an unwieldy model. Statics is easier to handle in optimising exercises, though the reality is dynamic. A convenient compromise is to dynamise a static model by repeated runs corresponding to a sequence in time.

On the question of choice between *deterministic* as opposed to *probabilistic* model, it is obvious that the latter is better suited to represent an uncertain world. But again, *probabilistic* models are much more difficult to work with and a compromise has to be found. Finally, there is a methodological choice between *simultaneous* solution models and *sequential* solution models. Evidently there can be no general preference on this question and the choice will depend on the nature of a specific problem.

CONCLUSION

Operations Research for Urban Management in India

It has frequently been argued that OR based on advance computer technology is not suited to India's low level of development. We should remember however the peculiar uneven development of our economy, which has thrown up modern and complex metropolitan enclaves in an otherwise primitive canvas. On the one hand, a piecemeal rule of thumb approach to urban development will quickly lead to the kind of crises we mentioned earlier. There is some reason to suspect that such a crisis has already begun. On the other hand, in terms of availability of technical facilities including skilled research manpower and electronic computers, there is no reason why we cannot move towards rigorous planning for urban development. There is reason to believe this has also already begun with the Bombay twin-city development programme.

At the same time it is true that the technical resources are scarce, though available. There is great demand for

various compacting uses; such that there is a genuine case for sparing use of these resources. Fortunately, as we have emphasised throughout this paper, flexibility and wide choice in adopting methods to suit a problem and the managerial situation is the main strength of Operations

Research. Consequently there is no substantial reason why we should not lay emphasis on rigorous urban planning with our OR methods suitably modified and improvised to meet a tight resource situation.

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DECISION MAKING UNDER UNCERTAINTY

NEED FOR SCIENTIFIC DECISION MAKING IN LOCAL BODIES

The rationality and accuracy of the crucial managerial decisions can be ensured by making use of the management techniques of Operations Research for Scientific Decision Making for increased effectiveness of the municipal administration. The increasing pace of urbanisation, changing technology, and the growing awareness of the rights of the people together with the changing political process has brought a number of socio-economic constraints in the functioning of the local bodies requiring them to have a more cautious approach for decision making in general administration, and for the allocation and utilization of the limited financial resources available to the municipal bodies, for providing civic amenities in the most effective manner. The executive has to carefully evaluate the possible repercussions of his decisions within the broader framework of economic, social, political, technological and legal constraints. In the present day situations, an executive has to make decisions without knowing its outcome with certainty. Thus there is a great need to shift from the deterministic type models to the probabilistic approaches to take into consideration the effect of prevailing uncertainties in the system. The presence of uncertain conditions do have an adverse effect on the efficiency of the system but they are the hard realities of life.

The techniques of productivity science must be applied to areas like municipal administration for the efficient utilization of resources.¹ The purpose of this paper is to review the basic concepts of decision theory emphasising the nature and structure of decisions and choice of an optimal strategy by the decision-maker under risk and uncertainty. It is hoped that it will stimulate interest and sharpen the attitude of the municipal decision-makers about the decisions they made.

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¹ Lt. Col. Brij Mohan, "Application of Productivity Science to Public Administration", Paper presented to the World Congress on Productivity Science, Dec. 13, 1973 at Bombay.

RESPONSIBILITIES FOR DECISIONS

The primary responsibility of the management is to make decisions and face its consequences. Although the term "Executive" derived from a latin word means "to do" undermines the decision making role of an executive, the main task for which they are rewarded is the decision-making itself. A manager is the "user of judicious means to achieve a desired end." Apart from the executives all of us have to make decisions almost daily in our private life. It is precisely this ubiquity of decision problem which has led many persons in various fields to deal with the decision making problem because the effectiveness of the system depends on the quality of the decisions which in turn depends upon the amount and reliability of information available to the decision-maker at the time of making decisions. If the data on which a decision is based is not reliable, the quality and hence the success of the decision is questionable.

The executives in municipal administration have to make so many decisions on various aspects of the administration, sometimes with so little data that the outcome of the course of action can not be predicted with certainty. Then the basic question about the decision problem is : How should the executive proceed in order to reach the best decision? The decision theory gives some insight into this problem and helps in finding a solution.

THE NATURE AND STRUCTURE OF DECISIONS

A decision is required to be made because the decision-maker wants to achieve some goal, objective or use out of the decision. Naturally, a decision maker will choose some course of action or strategy or tactics which will help him in achieving the goal. This implies that there is a need for management by objectives because if the objective is not clear or is wrongly chosen, the decision will

not be the right one needed. This makes the decision problem an interesting one because all decision situations will possess the following characteristics irrespective the context in which they arrive: (i) the term "decision" implies some kind of a choice meaning that more than one course of action is available to the decision-maker. If there is no choice or alternative, there is no decision-problem because he has no option, (ii) secondly, the various alternative courses of action will result in different outcomes or repercussion. Some of the strategies are relevant, some irrelevant to the system objectives and the problem is to select the best course of action out of the feasible alternatives, (iii) the best course of action will be the one which maximises the overall desirability keeping in mind the objectives or the goals to be achieved. Thus the decision problem consists of the selection of one of his available strategies for the optimisation of objective (s), (iv) the decision means a termination or a conclusion of a process. Thus every decision has an end point but the end point of one process may as well be the starting point of the other. Thus a decision made reflects its image on the other decision. This reflexive property of the decisions is not illusory but a fact.

One recognises the bitter fact that the decision maker may not always achieve what he wants despite the best efforts in analysing and choosing the favourable strategy. The reason for this discrepancy between the goal set for and actually achieved is that many factors either known or unknown but impossible to quantify are beyond the control of the decision-maker. This brings in certain amount of risk and uncertainty into the decision situation implying that in real life every decision-maker has to take certain calculated risk of not achieving his objectives in the desired form. This establishes that the effectiveness of the decision as measured by the objective function depends upon many controllable and

non-controllable parameters and they have to be defined before choosing in the best course of action out of alternative courses of action resulting in different outcomes with different pay-offs. This structure is common to all decisions.

OBJECTIVES FOR DECISIONS

The effectiveness of any decision can not be evaluated without defining the objective to be achieved. Often a best course of action with reference to one objective may be least desirable for some other objective and therefore the basic step in any rational decision making is to spell out the objectives that the decision maker wants. The unfortunate part of many public administration systems is that either the objectives are not clearly spelt out or the various sub-systems and the components of the system function with their narrow objectives which often are at cross with each other. Under such a situation in the absence of well defined objectives, an executive can not be expected to take rational decisions.

Many times in managerial functions, it is not one single objective that a decision must meet but a multiplicity of objectives exist and the decision is expected to satisfy all of them of course with the varying degree of effectiveness. Under such circumstances an executive has to define all of them and arrive at a certain ranking depending upon the relative importance of the objective under consideration. This is certainly a subjective judgment on the part of the executive and the subjectivity of the ranking can be to some extent crushed by consulting all the concerned knowledgeable sources. Then a composite objective function can be defined giving due weightage to all the relevant objective. Sometimes the conflict among the objectives may result in what is termed as "sub-optimisation".²

² David W. Miller & Martin K. Starr, *Executive Decisions and Operations Research*, Prentice Hall, 1969.

³ See for example *Decision Theory* by D. J. White.

⁴ S. N. Ramachandran, "Decision Under Risk and Uncertainty", *Industrial Engineering and Management*, Vol. 3, No. 3, July-Sept., 1968.

In public administration, the objective may not always be the economic objective and therefore the executive may have to define the objective in terms of the value or the utility of the decision. The value or the utility of the decision depends upon the degree to which the goals are achieved; and then the objective of the decision-maker is to maximise the total expected utility with the limited resources of time, effort and money. Thus the executive can have an arbitrary scale of utility or value of the various outcomes, resulting from the various courses of action.

THE THEORY OF DECISIONS

Because of the universal nature of a decision-making and as a result of analysis of the decision making process, a body of knowledge emerged to find out the criterion function to choose the best course of action. This is termed as "Decision Theory".³ Any decision problem requires : (i) Definition of possible courses of action (controllable parameters), (ii) Definition of the environment (uncontrollable parameters) and the constraints, (iii) Definition of the criterion of choice. For example the executive of the maintenance section has to stock the items in store to be used by the section for providing civic amenities. There the objective may be to minimise the overall cost of carrying inventory and cost of shortages, the various strategies are the amount to be stocked and the uncontrollable parameters are the demand of the item by the maintenance staff, availability, replenishment times, the state of economy etc.⁴

Pays-off Matrix

In decision theory a pay-off matrix is constructed first with a view to evaluate the strategies. A matrix is a two dimensional array of data arranged in rows and columns. Let $S_1, S_2, S_3, \dots, S_m$ be the

courses of action available to the decision maker and if $O_1, O_2, O_3 \dots O_n$ are the possible outcomes of his action and if a_{ij} is the pay-off, if the i^{th} course of action results in j^{th} possible outcome then this entire information can be shown in the pay-off matrix as shown in table I. The pay off a_{ij} may be in terms of the economic pay-off or may be subjective estimate of the value or utility which will depend upon the person and may change from person to person and the circumstances.

Table I
Pay-off Matrix

Strategies	Outcomes			
	O_1	O_2	$O_3 \dots O_n$	
S_1	a_{11}	a_{12}	$a_{13} \dots a_{1n}$	
S_2	a_{21}	a_{22}	$a_{23} \dots a_{2n}$	
S_3	a_{31}	a_{32}	$a_{33} \dots a_{3n}$	
.	.	.	.	
.	.	.	.	
.	.	.	.	
S_m	a_{m1}	a_{m2}	$a_{m3} \dots a_{mn}$	

Decision Situations

The type of decision situation depends upon the amount of information available to the decision maker about the likelihood of the occurrence of the various outcomes (states of nature). The basic supposition has been that the states of nature which occur will be independent of the selection of the strategy by the manager. On the basis of this classification, the various decision situations are : (i) Decision making under certainty, (ii) Decision making under risk, (iii) Decision making under uncertainty, and (iv) Decision making under conflict or competition.

Decision making under certainty : Under this situation, there is only one possible outcome for each strategy which is

known with certainty. Such problems are deterministic in nature and it is presumed that the decision maker knows the future events. Such problems are very simple and generally straight forward but in most situations this assumption is unrealistic because the outcomes may never be known with certainty. The criterion of choice is the maximisation of utility under this type of decision situation. In order to simplify the reality, many risk type situations are converted into deterministic situations. Linear Programming, transportation and assignment problems are some of the OR techniques belonging to this class of decision situations.

Decisions under risk : Where each course of action results in a number of mutually exclusive outcomes, the decision situation is called decision under risk. If the decision maker can assign certain probability of each outcome. The estimates of the probability of one outcome as a result of a course of action is termed as "efficiency estimates". These estimates can be either obtained objectively by collecting the past data or may be guessed subjectively on the basis of opinion survey or expert opinion about the likelihood of a possible outcome. Under such a situation, apart from the pay-off matrix, a probability matrix is also to be given. From this information a utility matrix can be obtained. The concept of utility in probabilistic situations has been suggested by Ackoff *et. al.*⁵ as follows : If the utility of a course of action resulting in a certain outcome is U but probability of the outcome U is P , then utility or the value of the decision is PU . This is the implicit assumption in the analysis of problems involving risk. There are two criteria for the decision situations of this category :

- (i) Maximisation of expected utility of the outcomes : Under this criterion the expected utility of each course of action is found by adding the utility of individual

⁵ Ackoff & Sasieui, *Fundamentals of Operations Research*, John Wiley & Sons, 1968.

outcomes and that course of action is chosen to be the best decision which results in the maximum value. If P_{ij} is the probability of i^{th} strategy resulting in j^{th} outcome then the value

of i^{th} strategy is given by $\sum_{j=1}^n P_{ij} a_{ij}$.

If this is devoted by U_i , then pick up the decision with maximum value of U_i for all i under this criterion.

- (ii) Minimisation of the coefficient of variation: Under this criterion suggested by Dey & Sukhatme,⁶ the decision-maker chooses the course of action which minimises the coefficient of variation. This is claimed as a better criterion of choice.

Decision making under uncertainty: Decision situations involving risk are those where the executive has some past experience or can experiment with the situation to get some idea about the likelihood of various outcomes for example: in case of inventory control executive, the probability of demand of an item having a certain value can be analysed by examining the past data. But sometimes an executive may not be having past experience with a particular situation or a new type of decision is to be taken where no data is available. In that case the executive has no basis for knowing the likelihood of various outcomes. Thus the decision-maker has no way of knowing the expected pay-offs because he just does not know the probabilities of various outcomes.

Many of the major managerial decision problems of business and administration are of this type particularly where

the human problem is involved. The decision-maker has the least knowledge about the repercussion of his decision, has no past information or experience with this type of decision but is still required to make a decision. What should he do? The situation appears to be quite hopeless due to the cloud of uncertainties prevailing nevertheless a rational decision-maker will do his best under the constraints. The researchers in the field of decision theory have suggested a number of criterion functions which the decision-maker can choose depending upon the circumstances, the attitude of the decision-maker and his capacity of taking reasonable risk in the process of decision making.

Illustrative example: In order to explain the various criterion functions under uncertain situations a hypothetical illustrative example is chosen. Suppose the administration is planning to introduce a new method of instruction in the field of primary education but they are not sure of the response this new method may get from the public. Let us say the three possible outcomes are: very good response, fairly good response and the poor response. The various courses of actions available to the administration are: (i) Experiment at a low level; (ii) Plan for a switchover in a moderate way; and (iii) start in a big way. Assume that the new experimentation involves a certain definite financial outlay so that the decision-maker has to be careful because if he spends a huge amount of money he has to see that the venture does not flop.

The decision-maker can give his value or utility to various courses of action depending upon how serious are repercussions of a particular course of action. Let the strategies be termed as X, Y, and Z and let the pay-off matrix be as shown in table II. Pay-offs are arbitrary relative values.

⁶ B. R. Dey & A. V. Sukhatme, "New Decision Criteria Under Risk and Uncertainty," *Industrial Engineering and Management*, Vol. 4, No. 2, April-June, 1969.

Table II
Pay-off matrix for the illustrative example

Strategy	Response		
	Very good	Fair	Poor
X	-5	-1	+2
Y	2	+10	-4
Z	+20	-15	-30

I. *Maximum Criterion*: This is also called Wald's criterion. The decision-maker is pessimistic or cautious and he always feels that the nature is malevolent and will always work against his strategy so he plans for the worst and then tries to minimise the worst that can happen. For each strategy he finds out the worst that can happen. This is shown by the minimum pay-off in Table II. The minimum pay-off of strategies, X, Y, Z are -5, -4, and -30 respectively. Then he chooses that strategy which maximises his minimum pay-offs. Thus the maximum of the minimum pay-offs of each strategy is the best decision. For this problem the best choice by this criterion is Y (to go on a moderate scale).

This pessimistic criterion may be quite logical in situations where the decision-maker can not take much of risk. There are many occasions where an executive can not afford to be adventurous, then this cautious approach is quite reasonable; because he has to pay the price of the uncertainty. For example an inventory control executive may have to overstock if he wants to avoid shortages when nothing is known about the pattern of demand for an item.

II. *Maximax Criterion*: The decision-maker is optimistic (rather adventurous) under this situation. He feels that the nature is benevolent and will always result in favourable outcome (how unrealistic assumption at times!) for each of

his strategy. The criterion is to maximise the maximum pay-offs. The maximum pay-offs for strategy X, Y and Z are +2, +10 and +20 respectively. He will choose the maximum of these maxima, namely, strategy Z is chosen (go in a big way but suppose it flops!). Naturally this criterion is logical only if the decision-maker can tolerate certain risk of not achieving his objectives. But not in all situations the executive can afford to be adventurous as proposed by the maximax criterion.

III. *Hurwicz Criterion* (Cautious Optimism): The decision-maker under this situation is neither completely optimistic nor completely pessimistic but has a certain cautious optimism. This is done by defining a coefficient of optimism X that the nature will be favourable to him and $(1-X)$ will be the coefficient of pessimism that the nature will be working against him. X can be obtained by opinion survey or depending upon the manager own attitude and judgment. If $X=0$, it is completely pessimistic (Maximin), if $X=1$, it is purely optimistic (Maximax) and $X=0.5$ is a neutralist. Then the Hurwicz's criterion is defined as follows:

$$H = X V + (1-X) U$$

where V = Maximum pay-off from a strategy

U = Minimum pay-off from that strategy

Then the criterion of choice is to pick up a strategy with the maximum value of H . To illustrate if $X=0.60$ then the values of Hurwicz criterion for strategy X, Y and Z are -0.8, 4.4 and 0. Thus the best strategy under this criterion will be Y.

The Hurwicz criterion requires the manager to estimate the coefficient of optimism. If the manager does not know that, then a simple method for determining this coefficient has been suggested by Luce & Raiffa.⁷

⁷ R. D. Luce & H. Raiffa, *Games and Decisions*, John Wiley & Sons, 1958.

IV. *Minimax Regret Criterion*: This was suggested by Savage⁸. According to this criterion, the optimal strategy must minimise the maximum regrets of the decision-maker. Savage argues that after a decision has been made, the executive regrets because he could not take a better decision because of the uncertainty of outcomes. The amount of regret can be measured by the difference between the pay-off actually received and the pay-off that could have been received if the state of nature that was going to occur had been known. Thus the regret is the amount of the penalty in terms of poor decision owing to the uncertainty. Thus the first step under this criterion is to convert the pay-off matrix into a regret matrix by subtracting the pay-off of an outcome for a particular strategy from the maximum pay-off of that outcome. The regret matrix for the illustrative example is shown in table III.

Table III
Regret matrix

Strategy	Response			Maximum Regret
	Very good	Fair	Poor	
X	25	11	0	25
Y	18	0	6	18
Z	0	25	32	32

The best course of action according to this criterion is that which minimises the maximum regrets. For the example under consideration the best strategy is Y with the maximum regrets of 18. The Savage's criterion is very logical because in the wake of uncertainty the best thing

would be to take a decision so that the opportunity loss is minimum.

V. *Laplace Criterion or the Subjectivist's Criterion*: Named after Laplace a French mathematician, this criterion operates upon the "Principle of insufficient reason". It says that things will not happen unless there is sufficient reason for them to be on. Under the uncertainty conditions, if the decision-maker has no previous information about the likelihood of various outcomes then, he has no reason to believe that one outcome will be more likely than the other. Thus the Laplace criterion says that we assume that all the outcomes are equally likely. This has been a subject of heated debate for many years but the argument seems to be quite rational. Thus a problem involving uncertainty is converted into a risk problem by this criterion. For the problem in table II, the probability of all the outcomes is assumed to be $1/3$ each. Then the best choice of strategy is found out by picking up that strategy which maximises the total expected utility as done in the risk situation. The total expected utilities for the strategies X, Y and Z are $-4/3$, $8/3$ and $-25/3$. Thus the best strategy is Y.

Other criteria have also been suggested by the researchers in the field of decision theory but the above mentioned are some of the well known criteria of best choice. In addition to these tools for decision making, the other useful decision making tools are the decision tree and the decision matrix, and the theory of games. The latter is used in decision situations where conflict or competition is involved.

Meta Criterion

An obvious question could be: which is the best decision criterion under uncertainty out of the five discussed

⁸ Leonard J. Savage, "The Theory of Statistical Decision," *Journal of the American Statistical Association*, 46 (1951), 55-67.

above. So far there is no clear evidence, that the one decision criterion is superior over the other, because there is no meta-criterion in decision theory to evaluate the various decision criterion. However, the Hurwicz, Savage and Laplace criteria are useful in different decision situations, depending upon the capacity of the decision-maker to take risk.

Conclusion

The presence of uncertainties in decision situations affect the effectiveness of the system. In the case of the deter-

ministic situations an executive can take better decisions than under uncertainty. However, by using the rational approaches, an executive can make the best out of the situation. However, an essential point must be borne in mind that every probabilistic decision involves risk and the executive must be prepared to accept it. This small article only attempts to expose to the municipal administrators the usefulness of these techniques and it is hoped that it will stimulate interest in them for making municipal decision making as rational as possible.

BOOK REVIEWS

GOVERNMENTAL PROBLEM-SOLVING: A COMPUTER SIMULATION OF MUNICIPAL BUDGETING: BY JOHN P. CRECINE, RAN McNALLY, Chicago, 1969, pp. XX + 338, \$ 8.95.

The book under review provides a systematic study of decision process of public budgeting. The study divides governmental resource allocation process under three conceptual frameworks: (a) An internal bureaucratic process, (b) An externally determined event, and (c) An optimizing process. These frameworks are based on the decision processes.

The basic research strategy employed consists of a systematic investigation of the micro elements of the budgeting decision system. Guided by the rigour and discipline of a computer simulation methodology, the study aggregates decision elements to derive a comprehensive, consistent model of the entire system. The computer simulation model is an internally consistent, unambiguous theory of decision process and thus allows for the systematic use of theory elements and for the unambiguous drawings of conclusions. This study is done in detail only for the municipal operating budget of city governments in large metropolitan areas.

The model central to this study is expressed in the form of a computer programme that describes the municipal budgetary decision process. The model constructed from observations consists of three sub-models.

The book consists of thirteen chapters. Chapter I is introductory and examines in a very general sense the scope of the study. Chapter II containing a review of theories, empirical finding etc that have some bearing on the actual budget decision processes. This will help the reader to become familiar with the problem area and some existing approaches. Chapter

III develops an approach for a process-oriented investigation of municipal budgeting. It also gives advantages and rationale of a simulation model as opposed to statistical model.

The formal budgetary process consists of three decision process: (1) department requests, (2) mayor's budget for council consideration, and (3) final appropriations as approved of the council. This basic process is studied in Chapter IV, with the help sub-models DEP, MAYORS and COUNCIL. Chapter V, VI and VII gives detailed descriptions of these sub-models and discussions of behaviour mechanism, interview data, parameter estimation issues, for all three cities. The computer model, consisting of three sub models, is then used to generate detailed budget estimates in Chapter VIII. The model is tested to see if it conforms to the real world phenomena it is attempting to describe. An analysis of model is used to deal with general questions, model fit and linkages between the budgetary decision system and its external environment in Chapter IX.

Chapter X provides an analysis of the dynamic properties of the simulation model together with an analysis of the model's sensitivity to key parameters. The model is evaluated with respect to budget as a "response to pressure" process. A tentative conclusion of the study, relative to budget-level-decisions is that influence groups are either an unimportant part of the process or that a stable influence group exists. Chapter XIII covers some normative implications of the decision model.

The study uses the same basic set of problem-solving heuristics in all three

cities. The heuristics involve a type of means-ends analysis. The problem, as dealt with, primarily one of *balancing the budget* rather than optimally allocating resources. The methodology used here, for the system of decision making involving repetitive decisions, can be a partial

guide to those wishing to study non-repetitive policy decisions. The possibilities of the general applicability of this model to non-marketing organisation seems to be very encouraging.

—KANTI SWARUP*

LOCAL FINANCES IN ANDHRA PRADESH, BY Y. RAMASWAMY NAIDU, Tirupati, 1974, pp. xxviii + 508. Rs 45.

The book is a condensed version of the author's Ph. D. thesis submitted to Sri Venkateswara University in 1970. It is the result of painstaking collection and compilation of financial data from rural and urban local authorities in Andhra Pradesh spanning over a decade, 1952-62. Care was taken to select local authorities to represent the Andhra and Telengana regions—a step considered necessary due to differences in legislative and administrative traditions. In all 21 local authorities were selected: one municipal corporation, six municipalities, three zilla parishads, three panchayat samities and eight panchayats.

The book is divided into three parts: parts I and III are concerned with introduction and conclusion of macro-features, while part II consists of intensive case studies of various types of local authorities in micro-terms. The obvious merit of the book lies in the wealth of materials that are available and the monolithic

structure that has been created. As a survey the book seems quite satisfactory, but it leaves the impression of being superficial about many relevant questions on municipal finances that need a much deeper analysis than was found possible with simple budgetary data. When the author strays away from finance *per se* and enters into the realm of administration, the weakness is in all the more marked. For instance, there is hardly any basis for his suggestion for an integrated municipal personnel system with that of the State. Apart from a few slips like this, the book exudes a genuine concern for local government and its vitality.

One final remarks: the list of books and volumes appended at the end could safely be omitted as it is clear that these have not been used directly for writing the book under review.

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